

CHINA AND LATIN AMERICA: THE OTHER OPTION

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Strategic Studies

by

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ABSTRACT

CHINA AND LATIN AMERICA: THE OTHER OPTION, by Mr. Jeremy M. Johnson, 101 pages.

International relations are constantly changing and the dynamics between nations and its objectives are at the forefront of attempts to maintain a position of advantage. China has seen an unprecedented economic rise since 1978. Critical to its continued economic expansion is the need to supply its industrial machine with natural resources. China's global expansion is leading the country into "America's Backyard" where this advancement can forward the growth of numerous Latin American nations, but also represent a challenge to U.S. regional influence. With the events of the past 15 years, has U.S. leadership underestimated the potential future impact of Chinese diplomatic and economic action in Latin America? This thesis explores, if given the current global environment, should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America.

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ACRONYMS

APEC	Asia-Pacific Economic Cooperation
BRIC	Brazil, Russia, India, China
CCP	Chinese Communist Party
China-CELAC	China and the Community of Latin American and Caribbean States
COA	Course of Action
DIME	Diplomatic, Information, Military, Economic
FDR	Franklin D. Roosevelt
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
JP	Joint Publication
NSS	National Security Strategy
PRC	People's Republic of China
UN	United Nations
UNSC	United Nations Security Council
USD	United States Dollars
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

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CHAPTER 1

INTRODUCTION

Overview

The United States' political and economic influence in Latin America pre-dates the 1823 Monroe Doctrine. Throughout almost 200 years of mutual interaction, the U.S. demonstrated its willingness to involve itself politically, economically, and militarily in the affairs of many Latin American Countries. Over the years, U.S. involvement in Latin America experienced its share of successes and disappointments. Through exercising diplomatic, economic and/or military influence, the U.S. could frequently gain compliance from Latin American countries to support U.S. national strategy. A consequence of U.S. historic connections in Latin America has the possibility of generating the oversimplified assumption that Latin American will continuously support U.S. policies may not be applicable given the current globalized environment. In the context of the current global environment, this thesis will examine the question should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America.

The growth of the Chinese economy since 1978, Chinese admittance into the World Trade Organization in 2001, and the global recognition of China as an economic power are factors that have propelled China's capability to influence international affairs. China's emergence into Latin America causes increased competition with the U.S. for regional resources and influence. Additionally, the importance of Latin America within the sphere of global economics has increased over the past decade and opened the door for market diversification and greater regional opposition. Whether through competing

national strategies, or fundamental differences in ideologies, a delicate and precarious balance needs equitable resolution between the U.S., China, and the international community's diverse goals with the countries of Latin America.

This thesis will examine if China's diplomatic and economic expansion into Latin America positioned China to gain greater regional influence; and thus, leads to the necessity for evaluation and change in U.S. priorities. To define the scope of this study the following primary research question asked should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America. History has an important role in understanding the context of the environment and without accounting for the conditions that led to the current state of affairs into relevance; the ability to define the environment would be incomplete. The following two sections of this introduction will provide a brief synopsis of U.S. and Chinese interests and activities within Latin America prior to 2001.

U.S. Interests and Activities in Latin America

It is generally recognized, that, for the past 200 years, the U.S. has been the most powerful nation in the Western Hemisphere and the U.S. has used this power to influence its neighbors to the South as necessary to achieve U.S. national goals. The presumption was that by controlling events in Latin America, the U.S. could create security and stability throughout the hemisphere while protecting the U.S. from international encroachment.

Historically, the U.S. perceived the greatest threat to its security to be an invasion from Europe. The expanse of the Atlantic Ocean served as a partial buffer to mitigate this threat. Leaving the most vulnerable pathways from the south or interference from

European powers still operating around or within the geographic borders of what would become the U.S. The Federalist Papers sought to expel European influences from the continent and establish the conditions for the expansion of our own political and commercial interests (Kassab 2015, 3). Giving rise to a U.S. foreign policy that provided the foundation of U.S. authority to intervene in the internal affairs of sovereign nations under the rationalization it protected its area of interest (Kassab 2015, 3).

The Manifest Destiny and the Monroe Doctrine shaped U.S. foreign policy in the 1800s (Kassab 2015, 6). What emerged in the early 1800s was the theory that for the U.S. to expand geographically and securely, it would have to oust the European powers from the U.S. sphere of influence (Kassab 2015, 6). James Monroe believed it was the purpose of the U.S. to safeguard the western hemisphere from European trespassers (Schulzinger 2006, 134). The Manifest Destiny was a widely held belief allowing U.S. expansion into “uncharted” or indigenous territory (Kassab 2015, 6). The theory behind the Manifest Destiny was the U.S. was destined to rule the continent and the government validated the methods in which this was accomplished (Kassab 2015, 6). When President James Monroe announced the Monroe Doctrine in 1823, he further solidified the ideas outlined in the Federalist Papers by telling European powers that the Western Hemisphere was off limits (Kassab 2015, 7). This proclamation led to the U.S. assuming responsibility for the hemisphere and in turn conducted actions deemed in its best interests (Kassab 2015, 8). The remnants of this thought process could attribute to how Latin American nations perceive the role of U.S. foreign policy.

As the threat of European intervention subsided, so did the relevance of the Monroe Doctrine as a guide to U.S. foreign policy in the Latin American region

(Schulzinger 2006, 142). In 1933, President Franklin D. Roosevelt (FDR) shifted U.S. policy towards a new strategy for engagement in Latin America, the “Good Neighbor Policy” (Schulzinger 2006, 142). Essentially transitioning U.S. policy from direct intervention, to hemispheric solidarity where the nations of the western hemisphere would work together (Schulzinger 2006, 142). This policy recognized equality, renounced the rights of the U.S. to intervene in internal affairs, aligned countries through military, economic and political means, and provided economic and technical assistance to promote development (Porter 1961, 182). Given the budgetary constraints FDR faced, the shift was logical because of economic anxiety and the need for hemispheric security.

After 1945, U.S. policy focused on stopping the spread of communism and thrust U.S. diplomacy to an era reminiscent of the Monroe Doctrine (Kassab 2015, 10). The U.S. was no longer concerned with hemispheric solidarity, as the communist threat had already materialized in its own hemisphere in places such as Cuba, Guatemala, Peru, Chile, and Venezuela (Kassab 2015, 10). By any means, the U.S. would seek to ensure its security even if it meant meddling in another sovereign nation’s affairs. Hence, the period from 1945 to 1991 exemplified greater U.S. willingness to intervene and interfere in the politics of sovereign nations (Kassab 2015, 11). For example, in 1954 Guatemala, the U.S. planned and ousted Jacobo Arbenz by a coup because his tax policy adversely affected the Unit Fruit Company (Livingstone 2009, 26). Containment of the communist ideology became the new policy of choice for U.S. leaders and that policy came at the expense of the sovereignty of Latin American states. The U.S. demonstrated its willingness to interfere in the internal affairs of other nations to protect against the growing communist threat. Latin America, as well as the rest of the world, became a

version of an ideological land grab between the U.S. and the Union of Soviet Socialist Republics (USSR), where each country sought to establish agreements and alliances to bolster its global influence (Kassab 2015, 11).

From 1991 to the present, there continues to be opportunities for dynamic engagement between the U.S. and its counterparts in Latin America. Arturo Valenzuela, the Assistant Secretary of State for Western Affairs from 2009-2011, believes it is time to let go of past inequities and work towards the development of formative strategies for collaboration (Valenzuela 2011). He reasons, that for too long, because of the influence that comes with being a super-power, the U.S. thought it could ensure compliance through force, threat of force, or economic intimidation (Valenzuela 2011). Therefore, Valenzuela surmises, because of the increased number of regional competitors vying for a piece of the Latin American market, intimidation is no longer a feasible solution concerning foreign policy with Latin American countries (Valenzuela 2011). According to Valenzuela, the U.S. needs to determine where it can best address the challenges of the region to retain its influence (Valenzuela 2011). Latin America is experiencing unprecedented growth in the social, economic, and political realms, which increased its global relevance and freedom of economic choice (Valenzuela 2011). From Valenzuela's perspective, through continued regional emphasis and partnerships, the next stage in U.S. foreign relations with Latin America must rely on the convergence of our objectives with the interests of the sovereign states in Latin American (Valenzuela 2011).

Chinese Interests and Activities in Latin America

When Mao Zedong pronounced the People's Republic of China (PRC) in 1949, Chinese entrance into Latin America seemed futile. Latin America was under U.S.

influence and ruled by mostly conservative governments therefore, China saw no defined need for interaction (Worden 1982, 131). Chinese relations with Latin America from 1949 to 1971 centered on trade and cultural exchanges at a minimal level, specifically with Mexico, Chile, and Argentina (Worden 1982, 137). Until the 1959 Cuban Revolution, there remained little Chinese interest in Latin America. After the Cuban Revolution, China began to contemplate if it could duplicate this event throughout the area, then it would open possibilities for Chinese engagement (Worden 1982, 132). If China could support revolutionary movements in Latin America, then China could serve as a viable alternative to the Soviet Union to Latin American nations with communist or socialist agendas.

In the 1970s, China's internal focuses were a new economic order, nuclear weapons free zones, law of the sea, and regional integration (Worden 1982, 131). China aligned itself more with the second or third world countries and began thoughtful contemplation about creating an anti-superpower alliance with Latin America (Worden 1982, 130). The Chinese perception remained that Latin America was in the U.S. sphere of influence and the success of the Soviet Union's offensive global strategy in the backyard of the U.S. had the possibility to open trade (Worden 1982, 132). China supposed Soviet interaction in Latin America was a decrease in U.S. regional influence and presented China with a greater chance to penetrate the region. This struggle between superpowers would create an environment where the Chinese would have commonality with Latin America and that would lead to increased relations.

President Nixon's visit to China in 1972 was not only the beginning of normalized U.S. and Chinese relations, but created the perception if the U.S. could

interact with China, then so could the countries of Latin America (Worden 1982, 137). China's concern in the 1970s was to develop ways to increase economic relations rather than attempt to alter what was politically transpiring in a country (Worden 1982, 137). Latin America had the growing problem of increased foreign debt, which China could solve with its vision of a new international economic order (Worden 1982, 139). In 1972, Latin America ranked last as a trade partner with China (Worden 1982, 139). In 1970, two-way trade between Latin America and China was \$15 million USD (Worden 1982, 139). By 1980, that increased to \$1.5 billion USD, but still was only 4 percent of Chinese global trade (Worden 1982, 139). Prior to Nixon's visit to China, Latin America was an untouched market and China understood that future trade with Latin America would depend on the civility of U.S. and Chinese relations (Worden 1982, 139).

The 1970s and 1980s, saw increased interaction between China and Latin American countries through contact and meetings at the United Nations. By 1981, these meetings had led to the establishment of 14 Chinese diplomatic missions in Latin America, staffed to the ambassadorial level (Worden 1982, 132). State visits were predominately Latin America countries visiting China vice China going to Latin America (Worden 1982, 132). By 1982, 14 of the 30 independent governments in Latin America had diplomatic relations with China (Worden 1982, 136).

Another factor that may have led to increased Chinese expansion into Latin America was the death of Mao Zedong in 1976, which through new leadership, modified China's vision for the future (Lai 2011, 44). In 1978, Deng Xiaoping launched an economic reform with the support of the Chinese Communist Party (CCP) that by the late 1980s began to turn around China's economy (Lai 2011, 44). By focusing on export-

oriented low-end consumer products, China found a way to access the global market and began building a trade surplus (Lai 2011, 44). Chinese relations with Latin America steadily grew from 1980 until 2001, but remained relatively benign as a major source of economic importance until the announcement by CCP General Secretary Jiang Zemin in the July 1, 2001 speech to the Sixteenth Party Congress that launched a more aggressive Chinese economic policy (Wu 2003, 167).

The significance of the speech formally demonstrated China's intentions to be more involved in the world economy (Wu 2003, 168). Of additional significance to China's strategic economic plan was its acceptance into the World Trade Organization (WTO) in December 2001 (Wu 2003, 168). China's philosophy was summarized in a Chinese press release stating, "the CCP should expand its coverage and presence into new fields that have emerged in the marketizing (sic) transition and that would emerge as the country participates in the WTO" (Wu 2003, 170). This significant event, coupled with a change in its internal policy gave China the platform to launch its global expansion. As Latin America maintains an abundance of natural resources and China possesses the political and economic backing to enter a new world market, especially one that had previously been indifferent to Chinese trade, the nations of Latin America have another choice for global assistance lessening the need for dependency on the U.S.

Focus and Scope of Research

To address the complexity of this issue the researcher wanted to categorize the information into manageable pieces for ease of understanding. The focus and scope of this research begins with providing historical context, then defining the strategic objectives of the U.S. and China in relation to Latin America, examining China's use of

diplomatic and economic “soft power,” and concluding with case studies utilizing Brazil and Peru as evaluation tools to answer the primary research question. This study will provide a basic understanding of the environment in Latin America and analyze the impact Chinese expansion into Latin America has on U.S. strategic objectives. The preponderance of research was limited to the last 15 years to narrow the scope of the study.

Primary Research Question

During the past 15 years, the amount of literature written about the expansion of China into Latin America has grown. The preponderance of literature tends to highlight what this means for the U.S., but aside from a few authors, it does not fully address U.S. concerns. Therefore, through analytic evaluation of the material reviewed, this thesis will address the primary research question: “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” With a new administration in 2017, this question should be at the forefront of the agenda for U.S. policymakers as they look to define the next National Security Strategy (NSS).

Secondary Research Questions

To answer the primary research question, four secondary questions require answering. The secondary research questions focus the scope of the research to apply defining characteristics that shape the framework of the study. Incorporating these questions into the methodology outlined in chapter 3 systematically answers and evaluates the challenge or opportunity presented by China’s expansion into Latin

America and determines if the U.S. should alter its priorities. The secondary research questions are:

1. Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives?
2. Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?
3. Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?
4. Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?

Definitions and Terms

The following definitions and terms provide mutual understanding between the author and the reader of their use throughout the context of this study.

Multi-polar: A theory, mainly pronounced by how China sees the world, where there are multiple centers of power, which influence international affairs (Clegg 2009, 13). Seen as an alternative to the current world order of hegemony, multi-polarity readjusts the power dynamics to bring about equality (Clegg 2009, 13). With institutions like the United Nations (UN) at the forefront, peaceful solutions to conflict would arise because of a greater global discussion (Clegg 2009, 13).

One belt, one Road: An initiative proposed by Xi Jinping in 2013, to serve as a global framework for trade investment, and policy (Micallef 2017). Designed to increase Chinese opportunities with Europe, there is an assumption this is applicable to Chinese efforts in Latin America. The initiative brings together land-based transportation

infrastructure and connects it with a maritime component consisting of port expansion and shipping (Micallef 2017). This initiative increases efficiencies and provides China the capability to establish a transportation network that encompasses the globe.

One China Policy: The “One China Policy” is the official recognition of one Chinese government and that government is not Taiwan (BBC News 2017). This policy is the cornerstone to having diplomatic relations with China; this is possible by breaking from official recognition of Taipei (BBC News 2017). The international community lends support to Taiwan through unofficial recognition (BBC News 2017). This policy differs from the “One China Principle” that states Taiwan is part of China and will be reunited one day (BBC News 2017).

Operational Approach: The Joint Chiefs of Staff Joint Publication (JP) 5-0, Joint Operation Planning, defines the operational approach as “the commander’s descriptions of the broad actions the force must take to achieve the desired military end state” (Joint Chiefs of Staff 2011, XX). In this study, the operational approach defines the problem through examination of the strategic guidance and current operational environment in Latin America over the past 15 years.

Operational Environment: The operational environment is the examination of the conditions, circumstances, influences, capabilities, historic tendencies, and the complexity of the problem. The researcher focused on the diplomatic and economic aspects of these identifiers to conduct the analysis and categorize the problem.

Soft Power: “The concept of ‘Soft Power’ was introduced in 1990 by Harvard Professor Joseph Nye, who defined it as ‘a dynamic created by a nation whereby other nations seek to imitate that nation, become closer to that nation, and align its interests

accordingly” (Ellis 2013, 33). Over the years, this has morphed into another definition where the nation conducts its actions in a manner that does not threaten the sovereignty of another nation (Ellis 2013, 33). China views soft power as, “power or influence that does not involve coercion by armed force to the appeal of Chinese culture to Chinese ethnic minorities in the region” (Percival 2007, 111). The western view describes soft power as “the ability to get what you want through attraction rather than coercion or payments” (Percival 2007, 111). Succinctly, both these views have the end state of influencing another nation to achieve your objectives by means other than force.

Strategic Triangle: Refers to the triangular relationship between the U.S., China, and the nations of Latin America as a single entity (Ellis 2013, 135). The use of the Strategic Triangle in the context of this study explains the importance of treating the countries of Latin America as independent sovereign nations, accounting for other international actors like Russia, Iran, India etc., and the understanding that the countries of Latin America will not all act in a unified manner (Ellis 2013, 138). While the preponderance of research tends to link all of the countries of Latin America together for simplicity, to gain a true understanding of the relationships, nations should be examined independently (Ellis 2013, 138).

Assumptions

There are a number of assumptions to discuss in order to frame the research as it applies to the primary research question, “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” The first assumption is that China is in Latin America to stay. Accordingly, China’s internal dependence on raw material from the global market requires the identification of suppliers who can meet its

demand. Latin America with its abundance of resources will potentially see an even greater increase in Chinese presence as China strives to accomplish its objectives.

Secondly, regional stability is essential to China's strategic plan. Without the necessary resources to support its industrial needs, the Chinese economy cannot continue to grow at or above the levels achieved over the past 15 years. Lastly, China has always and will remain focused on the long game. The strategic plan of China is looking towards expanding from being the world's global factory, to also being the world's version of "FedEx." Controlling the entire supply chain is the next logical step in Chinese expansion to increase its influence and gain a return on its investment. China is already demonstrating its ability to inject ready-built companies, which have state backing, to go into areas and extract resources. This technique is growing throughout the nations of Latin America.

Limitations and Delimitations

Latin America is comprised of sovereign states with internal and external priorities to strengthen its economies, conduct trade, and maintain relationships that are beneficial for its growth. Grouping all of the countries together into one category called Latin America is a limitation the researcher placed on the research because a preponderance of literature describes the region as a whole. However, to provide perspective of the environment, the scope of analysis is limited to the countries of Brazil and Peru to provide greater fidelity on the effects of Chinese influence at a lower level. The researcher delimited the other countries of Latin America, but may reference them to provide context. The research on this subject was limited to readily accessible unclassified information through books, periodicals, journals and research via the

internet. The term Latin America used throughout this paper comprises the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, French Guyana, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

The researcher attempted to gain access to strategy documents specifically addressing diplomatic and economic policy guidance for the U.S., but because this thesis is for public distribution the researcher chose not to include integrated country strategies, thereby limiting the available policy comparison to readily available reporting.

Additionally, the research focus was limited from January 1, 2001 to March 24, 2017 because this timeframe encapsulates Latin America's largest period of economic growth. The research end date for including information was limited to March 24, 2017 to allow time for the compilation of research and to conduct the necessary analysis needed to produce the product for publication.

Delimitations are the factors the researcher has imposed on the body of work that limits the boundaries of research and analysis. The researcher limited the focus to diplomatic and economic examples of Chinese expansion into Latin America, specifically addressing the countries of Brazil and Peru. As the current threat of the Chinese conducting, an unprovoked attack is minimal, and there is scarce available research concerning Chinese informational campaigns – the researcher delimited military and informational from this research.

The Significance of the Thesis

Historical accounts of U.S. involvement in Latin America present evidence that the U.S. had a long-held belief that interference from influencers outside the Western

Hemisphere presented a threat to U.S. security and regional stability. The threat of the spread of Communism in Latin America directly led to increased activity in Latin America by the U.S. during the Cold War. When the Cold War ended, U.S. interests and focus shifted elsewhere. Now, with the Global War on Terrorism, Russian actions to regain primacy, and the rise of China as an economic power, Latin America is not the priority it used to be. Therefore, as the global landscape continues to change, is the U.S. back to facing another regional competitor that could affect U.S. national interests?

Chapter Conclusion

Proximity, shared problems, similar cultures, or experiences through emerging from colonial control to becoming sovereign states, the U.S. and Latin American countries share a common foundation that could align interests. As the predominant power in the region, with the largest economy, the U.S. branded itself the protector of the hemisphere. The past and continued emphasis of the state of the U.S. economy, continual military operations in Afghanistan and Iraq, the spread of terrorism, Russian reassertion for power and influence, and the economic rise of China, meant the U.S. inescapably paid less attention to its affairs in Latin America. Chapter 2 will provide the literature review that defines the strategic objectives of the U.S. and China in relation to Latin America as well as the various perspectives from academia to give context to the operational environment.

CHAPTER 2

LITERATURE REVIEW

Chapter Introduction

The purpose of this thesis is to determine if China's diplomatic and economic expansion into Latin America positions China to gain greater influence within the region and thus, asks the question, "Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?" When conducting the literature review, the emphasis was to provide historical context (chapter 1), define the strategic objectives of the U.S. and China in regards to Latin America, and provide an overview of the current environment in Latin America to set the conditions for analysis in chapter 4. Additionally, it is important to understand the author's perspective of the literature for analysis of substance and bias when utilizing this information for analysis.

Global foreign relations include posturing, often change rapidly, and are difficult to define; however, through analysis and evaluation – solutions for recommendation are available. The review of current literature associated with this topic accomplishes the first two steps of the operational approach, which chapter 3 discusses. This chapter defines the strategic guidance and direction of the U.S. and China and provides an overview of the operational environment by examining existing literature on diplomatic, economic, the theory of multi-polarity, and the supposition of China as Latin America's other option. Defining the strategic guidance and understanding the operational environment provides context for answering the primary research question.

This literature review provides information to understand the context of what challenges U.S. policymakers have when attempting to devise policy to meet national

objectives. Chapter 1 provided a background of U.S. and Chinese interests and activities in Latin America leading up to 2001. The following literature review contains three major categories: U.S. NSS from 2015, China's Policy Paper on Latin America and the Caribbean, and perceptions of authors who attempt to define the environment.

U.S. Strategy Documents

As outlined by the Goldwater-Nicholas Act of 1986, the President of the U.S. will submit a yearly report to Congress on addressing objectives vital to national security. Joint Chiefs of Staff Joint Publication 1 defines the NSS as a document "signed by the President, addresses the tasks that, as a Nation, are necessary to provide enduring security for the American people and shape the global environment" (Joint Chiefs of Staff 2013, II-3). The NSS incorporates direction for the implementation of the elements of national power – Diplomatic, Informational, Military, and Economic (DIME); these are the means to accomplish national objectives. In the latest published NSS dated 2015, President Barack Obama, outlined the U.S. view of international order. "We have an opportunity—and obligation—to lead the way in reinforcing, shaping, and where appropriate, creating the rules, norms, and institutions that are the foundation for peace, security, prosperity, and the protection of human rights in the 21st century" (Obama 2015, 23).

To accomplish this, some of the objectives outlined in this 2015 document were: Lead the International community, renew alliances, work together and commit to partnerships, gain allies and partners through shifting to the Pacific, balance DIME, and though the U.S. has increased cooperation with China, it remains cautious of its intentions (Obama 2015, 3, 4, 24). President Obama's priorities in the international order were Asia and the Pacific, Europe, the Middle East, Africa, then the Americas.

Economics is a priority as a means to protect national security and maintain influence abroad (Obama 2015, 23). President Obama, said the U.S. will remain a Pacific power and Asia is a place for growth, and in this region we will build/maintain coalitions for security and defense (Obama 2015, 24). When referring to China, the 2015 NSS President Obama used adjectives such as stable, peaceful, constructive relationships, and cooperation on shared challenges. When addressing competition with China, President Obama said the U.S. would manage it from a position of strength (Obama 2015, 24).

The inference is, since the Americas are last in the NSS, at this time the President did not deem the region as a priority compared to other international arenas. Throughout the 35-page document, Latin America and/or the Americas are only mentioned seven times, compared to Africa and China/Asia that were referenced 40 and 41 times respectively. This presumption leads to the perception that through the eyes of policymakers in Washington D.C., the threats and challenges coming from Latin America specialists speaking on the expansion of China into Latin America are not of grave concern to U.S. national security. President Obama recognizes the gains of Latin America and notes because of its recent economic growth the region increased its role in global affairs. For the first time in the history of Latin America, the size of the middle class has surpassed those living in poverty (Obama 2015, 28). However, the NSS, concludes that even though the region is a globally important energy supplier, the countries of Latin America, “are put at risk by weak institutions, high crime rates, powerful organized crime groups, an illicit drug trade, lingering economic disparity, and inadequate education and health systems” (Obama 2015, 28). This indicates a lack of trust in the capabilities of the nations of Latin America to bring about change without assistance.

This perspective from the guidance outlined by the President in his NSS portrays partial indifference to the actions of China in Latin America. If the U.S. is to lead in international affairs, renew alliances, and increase partnerships, it seems as though Latin America offers that opportunity. The President is cognizant of the relationship with China and understands the U.S. and Chinese economies have become globally reliant on each other. However, U.S. priority shifts to the Pacific have implications from the perceptions of the Chinese and require consideration. The Chinese see this maneuver as the U.S. meddling in its sphere of influence and challenging its objectives. Therefore, examination should address if Chinese expansion into Latin America is because of its economic needs or because China is positioning resources and capabilities to contain the U.S. For this reason, the U.S. should remain aware of the on-goings in Latin America and attempt to define the consequences of Chinese influence throughout the Western Hemisphere over the long-term. Will the U.S. look back in 10 years and wonder how China became the hemispheric partner of choice in Latin America?

Chinese Strategy Documents

In 2008, China released its first ever policy paper for Latin America and the Caribbean and in 2016 released its second such policy paper (Xinhua 2016a). The two policy papers are similar and identify Chinese intentions to prioritize the region. The paper defined China's goals of establishing deep cooperative partnerships that were mutually beneficial and would assist in the continued development of the region (Xinhua 2016a). Since 2008, China and Latin America have conducted high-level exchanges, increased trade, investment, and finance, as well as increased people-to-people exchanges. The establishment of the China and the Community of Latin American and

Caribbean States (China-CELAC) forum, in 2015, increased cooperation, collaboration in the support of international affairs, and constructed the path for bilateral and collective cooperation (Xinhua 2016a). China believes the foundation of this relationship is one built of trust, a win-win economically for both sides, and international cooperation, leading to the release of China's second policy paper for the region on November 24, 2016 (Xinhua 2016a).

The key to the 2016 policy paper was for China and Latin America to build on the successes of those past eight years and integrate areas where collaboration with Latin America can align with Chinese achievement of strategic goals (Xinhua 2016a). China believes it is in a critical stage of achieving the great rejuvenation or from the Chinese perspective a return to greatness (Xinhua 2016a). President Xi Jinping pledged to continue Deng Xiaoping's opening-up policy and believes this policy is essential to achieving Chinese strategic objectives. China is convinced the emergence of Latin America will complement its progress towards greater multi-polarity (Xinhua 2016a). China sees the growth of Latin America and notes these nations have attracted the world's attention (Xinhua 2016a). Recognizing the events triggered by the global financial crisis, China applauds Latin America for the progress the countries have made towards economic and social development (Xinhua 2016a). China believes in the potential of Latin America and envisions continued alliances through partnership will assist its global ascent.

China's strategy is to strengthen exchanges from the highest level down to the populous with its partners in Latin America (Xinhua 2016a). China believes by gaining a shared understanding, China and the countries of Latin America will become closer,

minimize cultural confusion, and increase its combined voice in global affairs (Xinhua 2016a). To do this China highlighted emphasis on politics, economics, and social exchanges that would promote multi-polarization and achieve balance of power distribution throughout the international environment (Xinhua 2016a).

Perhaps the most important strategic objective to China in regards to enhancing its nationalism is the reunification of China. Through expanding relationships with countries in Latin America, China hopes to gain global acceptance for bringing Taiwan back under Chinese control. Its emphasis in the 2016 policy paper hints that more favorable relationships are achievable if a country supports the PRCs claims for one-China policy. China respects the rights Latin American's have to choose their own direction towards development and stresses the importance of nations maintaining sovereignty and stability (Xinhua 2016a). China appreciates the support from the Latin American community towards the reunification of China through recognition of the Chinese "one China" policy (Xinhua 2016a). In gratitude for this support, China is willing develop state-to-state relationships with other countries that support this policy (Xinhua, 2016a).

The publishing of China's policy paper for Latin America and the Caribbean has numerous implications. This policy demonstrates to the international community that China has a role in international affairs outside its traditional sphere of influence. It enhances its use of soft power by remaining transparent and sharing its strategic goals. This message to the countries of Latin America and Caribbean, in a non-threatening manner, highlights what China believes is achievable through symbiotic relationships. China's ability to collaborate for the needs of each other carries no external judgment of a nation's internal politics except in the manner in which increased cooperation and

agreements will make countries stronger. Of concern to U.S. policymakers, should be the importance of the “One China” policy. If China can gain an international majority supporting Chinese reunification with Taiwan, the U.S. will face a major decision on what action to take.

Perception of Cited Authors

Economics

Perhaps the most calculable method for displaying irrefutable evidence of Chinese expansion into Latin America is to examine the economics of the region. Dissecting the dichotomy of economics can provide insight to relationships and reliance. In the context of China’s relationship with Latin America, it is essential to understand what drove Chinese expansion into the region and what economic possibilities are available to the U.S.

As noted in chapter 1, prior to 2001 the assumption was that Latin America was too far ingrained within the U.S. sphere of influence for China to intervene. However, China’s economic turn-around and growing need for resources set the conditions for its necessity to test expansion. The significance of China’s acceptance into the WTO in 2001 and Chinese demand for resources inexplicably links to how Latin America achieved significant economic growth from 2001 to 2016. Asking the question, is this enhancing regional stability or setting up the countries of Latin America to switch one primary provider for another or just good business practice? The following paragraphs will analyze the impacts of economic changes in trade and investment over the past 15 years.

To answer the question why does China need Latin America, one only needs to understand the basic premise of supply and demand. China’s continued population

increase, predicted food-source sustainment levels, create the need for substance level of raw materials and commodities that traditional Chinese partners have the inability to meet (Ellis 2005, 2). Thus, the Chinese need for expansion into other previously untapped markets. High on the list of commodities needed by China are petroleum, natural gas, raw materials, and ever-increasing agricultural products (Ellis 2005, 2). Latin America possesses these items in quantities they either do not have the capacity to technologically take advantage of or have no direct need for (Ellis 2005, 2).

Highlighting the increased impact of Chinese trade with Latin America is the fact that as of 2013 China-Latin American trade was 24 times greater than it was in 2000 (Gonzalez 2015). R. Evan Ellis notes the PRC is “exponentially expanding commercial engagement with Latin America, including bilateral trade that had expanded from \$14.6 billion in 2001 to \$49 billion by 2005, and would surpass \$238 billion by 2011 (Ellis 2013, 1). The lure of Latin America is it is a major supplier with substantial resources in two of China’s focus sectors: energy and mining (Diaz 2009). China is reliant on imports for over half of its oil consumption and the Chinese look towards the countries of Brazil and Venezuela to supplement its supplies (Diaz 2009).

Over the past 15 years, the PRC has loaned or invested billions of dollars into Latin American countries (Ellis 2013, 36). Loans have helped Latin American countries develop offshore oil reserves, improve and upgrade the petroleum sectors, and helped develop mines for the extraction of raw materials (Ellis 2013, 36). While the presence of Chinese corporations in Latin America are considerably fewer than those of its U.S. counterpart, China is making itself indispensable through large investment assistance that ties economic assistance to the hiring of Chinese companies (Ellis 2013, 37).

In 2005, China loaned \$231 million dollars to the countries of Latin America, which increased to \$22.1 billion dollars in 2014 and crested \$30 billion dollars in 2015 (Gustafson 2016). All this while over the past three years, U.S. investment and aid in Latin America steadily declined (Gustafson 2016). China stands ready as the region's largest creditor to assist Latin American countries that have trouble obtaining loans through global markets (Gustafson 2016). This trend does not appear to be slowing. In 2015 President Xi Jinping, in a visit to Latin America pledged China would invest \$250 billion dollars in Latin America over the next ten years (Gustafson 2016).

U.S. Economic Possibilities

The fact that the Chinese share of the Latin American market has steadily increased since 2000, is not disputed (Coyer 2016). American investors habitually want the stability associated with a market that will provide a predictable return on investment. China on the other hand has the option of leveraging state-owned enterprises at a marked advantage, which drives down origination costs (Coyer 2016). This advantage affords Chinese companies lower associated costs and greater state assistance to pursue business ventures that are untenable for most private corporations.

If the U.S. wants to maintain advantage through economic actions within Latin America, then it should entertain the possibility of setting economic parameters that favor investment in Latin America. The Chinese economy has experienced its share of economic turbulence and the U.S. should have a plan to fill the void. Another means for the exertion of U.S. influence could be by taking advantage of the growing disparity between trade deficits of Latin American countries to China (Coyer 2016). As a result, many Latin American countries are approving anti-dumping laws to prevent the influx of

low-cost Chinese goods from flooding its markets. Possibly, to shore up resolve or re-emphasize its commitment, President Xi Jinping conducted a weeklong visit to Peru, Chile, and Ecuador in November 2016 (Patey 2016). Of concern to the Latin American leaders at the Asia-Pacific Economic Cooperation summit was its current trade imbalance with China (Patey 2016).

The countries of Latin America have become over reliant on the recent influx of Chinese capital into the region. The global financial crisis, in 2008, influenced the international commodities market and strained China's relationships throughout Latin America (Patey 2016). Experts attribute the Brazilian recession and the collapse of the Venezuelan economy, in 2014, to over-reliance on China as a trading partner (Patey 2016). Xi Jinping attempted to counter these presumptions by stating China would allow more Latin American goods to compete in China, but the impact has yet to be seen (Patey 2016). This demonstrates the growth and maturity of Latin American leaders who assume forceful roles in negotiations. The U.S. can leverage events such as these in informational campaigns to target the fairness of trade with the U.S. and our allies.

Not addressed in the literature is whether or not this Chinese influx is a result of the market growing, or the U.S. diversifying its investments elsewhere.

Diplomatic

Perhaps overshadowed by events of the past decade, Latin American countries have experienced democratic success and economic growth (Valenzuela 2011). Regional integration and expanded capacity allowed the countries of Latin America to overcome past inequities and achieve major transformation (Valenzuela 2011). Asking the question:

Is it time for the U.S. to update its approach to matters in the region since the dynamics have changed?

Viewpoints from articles written by Coyer, Mora, Weeks and Valenzuela, suggest that it may be time for the U.S. to reevaluate its foreign policy in Latin America. Habitually, the U.S. was a country characterized by exerting “hard power” in Latin America to achieve its goals. However, the U.S. also wielded “soft power” just as effectively. Through subtle overtures characterized by soft power, these authors believe, the perception of the U.S. and its ability to align objectives with regional actors would increase. President Obama’s overture towards enhancing relations with Cuba and Venezuela exemplifies this shift in the application of power and U.S. policy (Weeks 2016). Suggesting a shift to soft power would be advantageous since the elements of hard power used against Cuba and Venezuela had done little in the span of a half-century to change internal politics or beliefs (Weeks 2016). Potential areas of improvement for the U.S. version of soft power include increasing bilateral trade agreements, working to create mutual trust, applauding the sovereignty of states, creating enduring partnerships, and most importantly, returning to person-to-person communication (Mora 2016). This is where they believe the U.S. has the advantage over China. Our shared history, cultural associations, religious beliefs, and lasting partnerships can set conditions for equality and dialogue (Mora 2016).

The presumption is that Latin American countries would rather enter trade agreements with a known country that demonstrates predictive behavior vice a country like China with whom relationships will need cultivation to create that shared understanding. While the U.S. continues state visits throughout Latin America, China

continues to increase Presidential and Premiere level visits to the region. Perhaps this is because the U.S. is more concerned with actions in the Middle East, Russian contention in Eastern Europe, or Chinese expansion in East Asia. Whatever the cause, some speculate China has snuck into the backyard of the U.S. as its resources were prioritized towards other regions of the globe. Whatever the corresponding reality is, China who epitomizes patience and long-term strategic thinking has steadily increased its share of the Latin American market over the past 15 years (Coyer 2016).

There are numerous opportunities for the U.S. to expand diplomatically throughout the region. The expertise of U.S. foreign relations experts can assist with the issues of crime, poverty, and inequality, which are still prevalent in Latin America (Valenzuela 2011). Continual work towards stability in the region will only protect U.S. national interests. The regional challenges that continue to exist, such as: difficulty in achieving common ground with Bolivia, the ousting of a U.S. Ambassador from Ecuador in 2011, coup in Honduras in 2009, election struggles, perceptions of too much U.S. influence, and the changing state of affairs in Venezuela, all contribute to challenges for U.S. diplomats (Valenzuela 2011). Nevertheless, Latin America is now at the forefront of diplomatic discussions on the global stage. A U.S. and China meeting in Beijing in 2010 discussed their interactions in Latin America and demonstrated that regional events are now a global discussion. Through diplomatic discussion, increased transparency, and a level playing field, these two economic powers could coexist in Latin America (Valenzuela 2011).

Multi-polar View

This section offers another perspective on U.S., Chinese, and Latin American relations by exploring the discussions of the multi-polar view. China's actions in Latin America are a means to meet its internal demand for energy and resources, by investing in poorer countries with abundant resources to benefit both countries (Coyer 2016). Jenny Clegg believes thinking of Chinese relations in this manner displays a Sino-phobic view, where inferences from the past use examples of China's historical human rights violations, its aggressive nationalism, and appetite for resources as an excuse to incite panic over Chinese expansion (Clegg 2009, 6). The multi-polar theory in relation to international diplomacy has its foundation in democratization, creating an environment where international institutions, in conjunction with multiple world perspectives, shape agendas and offer solutions (Clegg 2009, 15).

Clegg's work presents the view that by seeking multi-polar relationships it would lead to increased democratization and equality, thereby balancing the world order, and suggests that for global stability the U.S. should explore other options with China (Clegg 2009, 4). Increased Diplomatic relations, councils, and agreements, where the U.S. and China, for the betterment of global stability, transform from a uni-polar (predominantly her view of U.S. foreign policy) fight for dominance to a multi-polar world of stability (Clegg 2009, 8). While the measures of these successes need quantification due to the lack of substantiated examples, it does offer that perceptions and understanding mean a great deal in diplomacy and world affairs. This perception urges the need for world powers to increase communication and collaboration to repress angst and subdue fears of aggression, and provides insight into Chinese actions in Latin America. China's strategy

remains not to provoke the U.S., but the creation of alliances in its own multi-polar world directly counter the U.S. perspective that it is the only remaining superpower.

While the theory has merit, institutionalizing this concept will prove difficult, as human nature and culture have historically placed the needs of the basic societal group in front of the greater good. Conversely, practitioners of the multi-polar world philosophy believe through multi-polarity leads to actions that create universal stability. Opposite of this view is the fact that for the most part, U.S. policy towards China centers on containment as a method to quell Chinese expansion as the primary U.S. objective against Chinese expansion (Clegg 2009, 32). From the Chinese point of view, U.S. policy on containment and its growing determination for regional East Asia alliances, plans for missile defense, and contesting Chinese claims in the South China Sea have the perception of U.S. expansionism (Clegg 2009, 61-62). China's move to this new polarity is in direct response to U.S. claims of being the sole superpower (Clegg 2009, 71). Quantifying Chinese strategy in the words of Sun Tzu, of winning without fighting, the Chinese will not overtly attack the U.S., but will balance the scales of power distribution through initiatives in the areas of diplomacy and financial assistance (Clegg 2009, 71).

China, the Other Option?

“China is perceived as an alternative to U.S. hegemony in the region, a fierce economic competitor displacing Latin American industries, and a neo-imperial power whose industries are gobbling up Latin American commodities with little regard for environmental and labor protections” (Klinger 2013). Julie Klinger proclaims that this is the perception of some who join in the discussion of Latin America and Chinese relations, but believes this statement does not reflect the data. At the special panel

discussion “China and Latin America: Perceptions, Problems and Opportunities, held by the University of California, Berkley in 2013, panelists offered their perceptions of the current situation (Klinger 2013). The panel discussed the feeling of disparity most Latin American countries felt when entering into Free Trade Agreements (FTAs) with China. Where Latin American countries thought, this was their chance to diversify globally and come out from underneath the traditional trade relationships with North America and Europe, the greatest export of value remaining for Latin America are its natural resources (Klinger 2013).

China’s historical global image of labor exploitation and environmental violations overseas caused global consternation (Klinger 2013). The increase in countries approving anti-dumping laws put China in a position where it is significantly investing in public relations to enhance its image (Klinger 2013). This suggests that western influences and global pressures are forcing China to change its business practices and China is complying. The synopsis of this panel projects China is open for negotiations, willing to concede and work globally, and counters the argument of China as a threat.

R Evan Ellis Perspective

R. Evan Ellis spent the preponderance of the past 15 years highlighting, analyzing, and defining China’s expansion into Latin America. Ellis notes early on that with the change in Chinese leadership, its increased presence as a global power and U.S. commitments overseas, China is no longer overly concerned with upsetting the U.S. (Ellis 2005, 3). Expansion is China’s resource strategy (Ellis 2005, 3). From 2003 to 2004, China’s total foreign investment in Latin America shifted from 36 percent to 49 percent and almost doubled its investment in Asia (Ellis 2005, 4). This increase

demonstrates China's commitment to the region and points to where it is placing its priorities to meet internal needs. Through signing numerous cooperative agreements over the years, China increased its bilateral trade with Latin America from \$12.1 billion in 2001 to \$26.8 billion in 2003 (Ellis 2005, 5). China's strategy not only includes acquisition of resources, but ventures have swiftly encroached on controlling the whole supply chain (Ellis 2005, 5).

As a result, Chinese growth in Latin America presents the possibility for excessive financial dependence on China for the vitality of its internal economies (Ellis 2005, 20). As countries became more reliant on China as the sole source of monetary solvency, they had the stark revelation of the pitfalls of dependency when the economic downturn of the Chinese economy created ripple effects throughout Latin America. The lure of quick solutions to decades of reliance on aid and debt management presents China as a way to alleviate the fiscal burdens. Along with economic insertion into the region, China is increasing diplomatic and military presence in the region. When China sent peacekeeping forces to Haiti in 2004, was this an attempt to demonstrate an exertion of its power or try to garner support for its "One China" policy in hopes countries would eliminate their support for Taiwan (Ellis 2005, 21). One thing is clear, that "Chinese presence in Latin America reflects significant erosion in the relative power and geopolitical position of the United States" (Ellis 2005, 23).

Chapter Conclusion

Policymakers should ask themselves the following questions when developing foreign policy for Latin America: Do Chinese interests in Latin America threaten the diplomatic and economic security of the U.S.? As China claims a larger portion of the

Latin American market and asserts influence in the region, should U.S. foreign policy experts develop means to counter loss of power or coordinate with China to take advantage of the conditions being set in the hemisphere?

Chapter 2 focused predominately on information written over the past 15 years. Research from books, periodicals, journals and internet websites created a common framework for the environment of U.S., Chinese, and Latin American relations. While economic indicators provide the quantitative insight and highlight tangible examples of Chinese expansion into Latin America it does not offer to explain the causation or provide solutions to mitigate consternation between the economic powers. Trends provided from economic analysis emphasize that China and Latin America are expanding relationships, it offer examples of how diplomacy solidified agreements, and it accentuates the idea that the U.S. may be losing its influence over regional affairs. Chapter 4 will address the secondary research questions to accompany the operational approach discussed in this chapter. Chapter 3, will provide the Methodology used in this study.

CHAPTER 3

RESEARCH METHODOLOGY

Chapter Introduction

To set the conditions and establish common ground for analysis of this thesis topic, the researcher utilized three methods to answer the primary research question, “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” The secondary research questions apply defining characteristics nested under the primary research question to shape the study. The three processes used to address the primary research question were literature review, operational approach, and evaluation criteria. A literature review provides historical context, defines strategic objectives, and identifies the status of Chinese diplomatic and economic involvement in Latin America. The operational approach used in this research was to confirm the validity of the primary research question by combining the strategic objectives with an understanding of the environment. This allowed the researcher to identify obvious links between China’s strategic objectives and her actions in the context of diplomatic and economic engagement, to discern if this led to a change in the security environment of Latin America and requires the U.S. to adjust its priorities for the region. Finally, by applying evaluation criteria against the secondary research questions the researcher will shape the answer to the primary research question.

The literature review outlined in chapter 2 provided a contextual overview of conclusions and analysis conducted by other researchers to provide an understanding of what experts in the field believe to be the purpose and level of concern regarding Chinese expansion into Latin America. While existing literature prescribes no particular template

for solving international relations in the best interests of the U.S., it does assist with giving weight to possible courses of action by explaining the context of the problem. To provide structure to this study, the secondary research questions will be analyzed in a step-by-step or systematic approach. The defined evaluation criteria require application to the secondary research questions to answer the primary research question and draw conclusions. Finally, the research findings of this study will provide recommendations for future research and topic exploration.

Operational Approach

These three methods give validity to the initial hypothesis of the primary research question. The operational approach design synthesizes strategic guidance and defines the operational environment for defining the problem. The Joint Chiefs of Staff Joint Publication (JP) 5-0, Joint Operation Planning, defines the operational approach as “the commander’s descriptions of the broad actions the force must take to achieve the desired military end state” (Joint Chiefs of Staff 2011, XX). A key to the success of any operational approach is to understand the problem and the operational environment. This is the reason the researcher chose this framework as a means to answering the primary research question, should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America. The researcher believes that before you can answer the question of “should” there is a need to define what the priorities of the U.S. are in Latin America. The second question to ask when defining the parameters rests on determining if there is a need to mitigate growing Chinese influence. The third approach is to combine these two questions together to answer the primary research question. To

do this required developing an operational approach that would define the problem and compare its validity against the primary research question.

The methodology for producing an operational approach, as defined in JP 5-0, requires the identification and understanding of three components: understand the strategic direction or guidance, understand the operational environment, and define the problem (Joint Chiefs of Staff 2011, XX). During the development of the operational approach, considerations to how the current conditions influence achievement of the desired end state are essential to defining the problem (Joint Chiefs of Staff 2011, III-5). The conditions, whether Political, Military, Economic, Social, Information, or Infrastructure provide greater fidelity to understanding the environment. The operational approach is similar to international relations in that both continually evolve, as more information becomes available, requiring continued analysis.

Understanding the strategic direction defines the intentions of the leaders (Joint Chiefs of Staff, XX). The guidance from the President, as explained in the National Security Strategy (NSS), outlines the objectives for the nation and requires the whole of government to apply capabilities or resources to achieve the desired end state. To have an understanding of the strategic direction through Presidential guidance, the researcher analyzed the 2015 NSS and China's 2016 Policy Paper on Latin America and the Caribbean. This analysis, in the chapter 2 Literature review, defined the boundaries of U.S. and Chinese objectives in Latin America. Once defined, the strategic objectives of the U.S. and China will provide greater clarity on whether or not Chinese expansion into Latin America is something the U.S. should mitigate.

The next step in the operational approach is to understand the operational environment. The operational environment defines the context and understanding of the problem by analyzing the conditions, circumstances, and influencers that affect the employment of capabilities (Joint Chiefs of Staff 2011, III-8). The literature review from chapter 2 identifies the degree of Chinese involvement in Latin America over the past 15 years and provides scope to the operational approach. Through additional exploration and analysis, chapter 4 will address: the perceived potential outcomes; the roles of various regional and global actors in addressing complexity of the Chinese expansion into Latin America; and what success in achieving U.S. objectives should look like. When analyzing the operational environment the researcher focused on the political and diplomatic uses of Chinese soft power in Latin America. Mr. R. Evan Ellis, in his book *The Strategic Dimension of Chinese Engagement with Latin America*, explains the inherent difficulty with defining the operational environment in Latin America. In his book, Ellis explains that combining the individual states into one category lends itself to generalities and does not allow for genuine definition of the environment (Ellis 2013, 137). Therefore, the researcher chose to focus the scope of analysis in chapter 4 on the countries of Brazil and Peru.

The selection of Brazil was because China is Brazil's number one trading partner and Brazil is heavily reliant on Chinese financing. This example was used to identify the outcomes of Chinese influence should it gain a majority of the market in other Latin American countries. Next, the selection of Peru was because of the linkages between the natural resources of Latin America and the need for China to meet its internal consumption demand for production. Additionally, of key importance to China, is the

need for reliable exportation of raw materials to China, which a more stable government like Peru provides. As China looks to expand its “one belt, one road” policy for increased connectivity and cooperation for trade routes, Peru and its deep-water Pacific Ocean ports becomes strategically important to China. The analysis conducted between China, Brazil, and Peru centered on the examination of political and economic relationships. Through examination of tendencies, the researcher will highlight how the analysis of past behavior identifies potential areas of opportunity to leverage with the intent of identifying possible solutions (Joint Chiefs of Staff 2011, III-11).

With a firm grasp of strategic directions and the operational environment, further analysis of research problem provides the ability to determine root causes, and leads to the development of possible strategies for examination (Joint Chiefs of Staff 2011, III-12). “The problem statement identifies the areas of action that will transform existing conditions towards the desired end state” (Joint Chiefs of Staff 2011, III-12). The problem statement derived from chapter 4 analysis is: “Specified within the President’s NSS, the U.S. will lead in international affairs and build partnerships; therefore, how does the U.S. government given decreased resources and competing global priorities mitigate Chinese diplomatic and economic expansion within Latin America, with the consideration to protect national interests from a position of relative advantage.” The problem statement identifies both areas of tension and competition or opportunities and challenges to achieve the desired end state through analysis of the strategic direction and the operational environment.

Evaluation Criteria

The complexity of international relations is immense, and in many cases, predictive analysis is the primary method to anticipate the intentions of a state. Joseph Nye wrote, “Whatever their form of government, states will act in their national interest” (Nye 2003, 48). Therefore, the primary and secondary research questions do not attempt to predict the future of state affairs. These questions are primarily focused on the events of the past 15 years in Latin America and examines the question, if now is the time for the U.S. to adjust its priorities. To assist with quantifying this statement, the developed evaluation criteria provided measures that aid in analysis of the proposed primary research question – “should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?”

Utilizing the question format for evaluation criteria allowed the researcher the ability to analyze numerous aspects of the environment, apply the question to the circumstances, and then decide if that information presented enough concern for the U.S. to adjust its priorities to mitigate growing Chinese influence. For the evaluation of diplomatic criterion, the researcher examined historical relations, the number of diplomatic engagements and high-level personnel exchanges, resulting FTAs from diplomatic meetings, public declarations of partnerships, and collaboration on initiatives. Economically, the researcher examined the reliance on import and export trade between the nations, the overall percentage of the country’s economic market, foreign direct investment, business exchanges, and infrastructure development programs. Then the researcher compared this information against U.S. actions in the specified countries to

determine if there is validity to the statement of the U.S. losing influence in Latin America because of increased Chinese presence.

Army Field Manual 6-0, *Commander and Staff Organization and Operations*, states screening criteria serves as the baseline for analysis and develops solutions to solve problems (Department of the Army 2014, 4-4). Additionally, it states, “evaluation criteria are standards the commander and staff will later use to measure the effectiveness and efficiency of one COA relative to other COAs” (Department of the Army 2014, 9-16). Evaluation criteria in this context allow the commander to differentiate between possible solutions identified through the screening criteria (Department of the Army 2014, 4-4). For the purpose of this thesis, the definition of the term “evaluation criteria” is the tool utilized to consolidate analysis when examining data in comparison to the operational environment.

A more applicable definition for diplomatic and economic examination is the business definition of evaluation criteria, “a benchmark, standard, or yardstick against, which accomplishment, conformance, performance, and suitability, of an individual, alternative, activity, product, or plan, as well as of risk reward ratio is measured” (Business Dictionary 2017). In the context of this thesis, the evaluation criteria eliminate perceived bias from the realist or liberalist point of view and answer the primary research question. Understanding that “should”, within the context of the primary research question, is an ambiguous term, the evaluation criteria will further clarify the environment and its possible effect on U.S. national objectives. The evaluation criteria specified in table 1 and expanded through chapter 4 analysis will determine if because of Chinese involvement in Latin America over the past 15 years, should the U.S.

government “Decrease Priority,” “Maintain Priority,” or “Increase Priority” in respect to its foreign policy with the countries of Latin America. Chapter 4 evaluates each criterion independently and then tallies the results for discussion of conclusions and recommendations for further research in chapter 5.

Table 1 Priority Evaluation Criteria			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives?			
2) Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?			
3) Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?			
4) Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?			

Source: Developed by author,

Research Methodology

The following is the step-by-step approach for the research in this thesis:

Step 1: Provide a historical overview of relationships between the U.S., China, and Latin America prior to 2001, conducted in the introduction described in chapter 1.

Step 2: Define the most current strategic objectives of the U.S. and China in Latin America, conducted using the introduction and literature review of chapters 1 and 2.

Step 3: Define the environment, over the past 15 years, between the U.S., China, and Latin America, conducted using the introduction and literature review of chapters 1 and 2. The combination of step 2 and step 3 form the basis of the operational approach and identify the validity of the primary research question, “should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?”

Step 4: Develop a framework of evaluation criteria to analyze against the case studies of Brazil and Peru to answer the following secondary research questions:

1. Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives?
2. Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?
3. Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?
4. Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?

Step 5: Apply the evaluation criteria against the secondary questions and aggregate the findings. Weighing the perceived outcomes of the findings with the operational approach will highlight and answer the primary research question.

Step 6: Finally, the research findings of this study will draw conclusions and provide recommendations for future research and topic exploration.

Threats to Validity and Biases

There are several issues that either potentially introduce bias into the research process and/or pose a threat to the validity of the research. The research validity measures the completeness of the information gathered and whether or not the determination is attributable to answering the proposed question (Garson 2016, 11). The researcher was cognizant of the threats to validity and biases when structuring this thesis. Knowing that the associated threats to validity could affect the soundness of the conclusions or findings, the minimization of external validity threats was necessary to ensure research remained valid by not drawing generalities from the samples obtained (Garson 2016, 13). Given the fluidity of international relations and comprehending some authors associated perspective, the researcher must remain cautious.

Aspects of this thesis could questions the external validity of the criterion used to answer the primary research question. G. David Garson defines external validity as the generalization of conclusions from a sample population and then the application of that sample against another larger population to draw a conclusion (Garson 2016, 12). The researcher noted this possibility in the limitations and delimitations section of the thesis by expressing the expanse of the number of countries in Latin America is too great to conduct in-depth analysis and relationship correlation within the scope of this thesis. Therefore, the researcher was cognizant of the possibility of this affecting the validity of the study. To mitigate this factor, the researcher selected two countries that represent significance to the U.S. and China as the benchmark for trend analysis. Future research can expand on the relationship factors identified and utilized within this thesis.

Confirmation bias can also threaten the validity of the research. Confirmation bias is the trap researchers fall into when they develop their research questions and focus only on the literature that supports their theory. This is problematic especially when transitioning to analysis, as a researcher could fail to consider other points of view. By conducting research, without comprehension of confirmation bias, the researcher is predetermining the direction of the thesis by selecting only literature that supports their objective. Thereby, giving more weight to their beliefs than what is available through a search of the field of study. Awareness of the threats to validity and biases assists the researcher in mitigating false conclusions that would affect the study. The researcher continually assessed the forums for pulling research information. The multitude of different sources ensured the limitation of confirmation bias and provided varied perspectives for analysis.

Chapter Conclusion

Given the known threats to validity and biases, the design of this research methodology and the aspects of research design will answer the primary research question. The literature review, operational approach, and evaluation criteria will be analyzed together to answer the secondary research questions and provide the fidelity needed to guide the direction of this study. Answering the question, “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” Chapter 4 will expound upon the analysis of the information collected for this thesis.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

Chapter Introduction

This chapter compiles all of the data collected for this study to answer the primary research question, “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” The combination of the historical perspective from chapter 1, the strategic guidance and operational environment from the literature review in chapter 2, this chapter will utilize the step-by-step methodology described in chapter 3 to answer and evaluate the secondary research questions. The aggregation of this information will result in answering the primary research question and provide substance for the conclusion and recommendations in chapter 5. The researcher first presents the following information on the “Strategic Triangle” and the explanation for choosing the case studies of Brazil and Peru.

The “Strategic Triangle”

R. Evan Ellis in “The Strategic Dimension of Chinese Engagement with Latin America” outlines the concept of a “strategic triangle.” In his chapter on the strategic triangle or triangular relationships, Ellis examines the misconceptions or possible pitfalls of using the triangle as a methodology of examining the relationship between the U.S., China, and Latin America (Ellis 2013, 135). His three arguments against the triangle concept are that this model does not account for other actors, Latin America is not unitary, and presents a neocolonialist paradigm (Ellis 2013, 136-138). Other actors that have a say in the dynamics of the region are the international community. Countries like

India, Russia, Iran, and those in Europe, all have importance to Latin America. To be dismissive of the role these nations play in regional affairs because they are not considered two of the primary actors supporting the Latin American market, does not allow someone to gain an appreciation for the complexity of the environment (Ellis 2013, 137). A second point from Ellis, Latin America is not a unitary actor, highlights that in international affairs all the countries of Latin America do not act in the same manner (Ellis 2013, 138). To make the assumption of Latin America as a cohesive grouping is systematically easier, but leads into the final misunderstanding of a neocolonialist paradigm. Expressing this perception places more emphasis on the powers of the U.S. and China, suggesting Latin America is subordinate to its needs (Ellis 2013, 138). While the rationale for combining Latin American countries may serve a purpose for ease of prose and simplicity, Ellis makes the point that this perception does not allow for absolute analysis. It was because of this perspective the researcher chose to make a closer examination of the impact of Chinese expansion by studying the countries of Brazil and Peru, as this may provide greater understanding to translate to the strategic level.

Why Brazil and Peru

The researcher, in a study about Latin America, chose the case studies of Brazil and Peru because of Mr. Ellis' explanation of the "strategic triangle." Throughout the literature reviewed, the major theme from journalists was to write about Latin America as a group, only when giving quantitative facts would writers mention specific countries. To answer the broader primary research question it was necessary to evaluate how individual nations were addressing the interest of China within its country. The two countries that stood out were Brazil and Peru.

Brazil was noticeable because it is the largest economy in Latin America, its emerging economy is linked to Russia, India, China, and South Africa, and it experienced a prolonged recession which some experts attribute to its over reliance on China. Therefore, by examining Brazil, U.S. policymakers can have an understanding of what happens from over reliance on China. This highlights why limited diversification is not good economics and the associated impact, which causes dependency. Furthermore, then policymakers can address based on the problems of the country in question, especially one with the capacity to be a regional power such as Brazil, what is necessary to retain U.S. influence and meet national objectives.

The selection of Peru was because of its long standing diplomatic ties and its potential strategic importance to China. The enduring diplomatic relationship has supported numerous Chinese political objectives on the global stage. With its new President, who is more center-right aligned, U.S. policymakers should explore if this presents an opportunity for closer diplomatic relations between the U.S. and Peru. Additionally, Peru's geographical access to deep-water Pacific Ocean ports highlights Peru as a prime location for the possibility of being at the center of the Chinese supply chain running through Latin America. This can be of strategic importance to the Chinese as it looks for ways to maximize efficiencies and drive down costs. The countries of Brazil and Peru have individual and unique international agendas that provide a benchmark for exploration and if the recommendations and conclusions determine validity, inference could apply as an overall regional strategy.

Step 1: Historical Overview

The first step in the research design, from chapter 1, provided a historical overview of relationships between the U.S., China, and Latin America prior to 2001. Over the past 200 years, U.S. diplomatic and economic relationships with the countries of Latin America have been tumultuous at best. From direct involvement to hemispheric solidarity, the policymakers of the U.S. continue to struggle with developing a defined approach in foreign policy with its neighbors from the south. The foreign policy of today needs to be adaptive and withstand rapidly changing environments. The role the U.S. sees itself in is to promote democracy and through capitalism it can achieve global stability. This continues to provide the structure for how the U.S. engages the world.

China consequently does not have a deep-rooted history with Latin America. While for the most part its diplomatic and economic relationships with Latin American countries over the past two centuries were minimal, a shift has begun as seen in its achievements in Peru and Brazil over the past 15 years. China was a country that did not have the need to seek an abundance of outside resources, but now as the nation experienced growth, China is searching for new markets that can supply raw materials for its continued industrialization.

This introduction provided an overview for gaining the understanding the U.S. has not truly faced a regional competitor, minus communist expansion, throughout history, thereby demonstrating the circumstances are now different, the global environment has evolved and what may have worked as recent as 20 years ago is no longer applicable to an environment where the countries have other options. The historical overview provided in chapter 1 is the first step in defining the operational

approach and having an understanding of the problem. Step 2 will examine and analyze the strategic guidance.

Step 2: Strategic Guidance

The second step in the research design defined the most current strategic objectives of the U.S. and China in Latin America, as reported by the literature review in chapter 2. The respective strategic documents of the U.S. and China frame the foreign policy priorities of the respective nations. The 2015 NSS and the 2016 China Policy Paper outline the guidelines for how each country plans to engage priorities on the international stage. The perception is that the U.S. is a superpower, and the dominant actor within the Western Hemisphere. The global opinion is China is an emerging economic power that has strategically developed through patience and calculation over the past 40 years. The natural world order suggests the U.S. and China are poised to compete for dominance and supremacy within the next 20 years. However, at this time, neither the U.S. nor China is looking to spark military action. Military action does nothing to further either of these countries objectives, but unless these powers come to terms on a number of issues, tensions will continue to escalate. This leads the U.S. and China to battle for dominance in the arena of diplomatic and economic soft power to find success in achieving national objectives.

The similarities of the NSS and the China Policy Paper are that both the U.S. and China want alliances, partnerships, and increased cooperation. The new structure of international affairs acknowledges that it is rare to accomplish national objectives without the support of coalitions to help in the work force and defray the associated costs. Even the most powerful of countries are reliant on support from international partners to

forward its national agendas. The U.S. and China comprehend Latin America is growing and of international interest for its abundance of raw materials. A major similarity between the two strategic documents is that both the U.S. and China need regional stability within Latin America to achieve the successful accomplishment of national objectives. Even though China is a growing influence in Latin America, the U.S. remains the dominant economic power. The U.S. has prioritized its resources elsewhere in the world, but needs continued regional stability in Latin America so it can meet NSS objectives. Additionally, whether you are the U.S. or China, regional stability is good for business. This especially appeals to the Chinese as it relies on the predictability of goods and services inherently moving along supply routes with regularity. Regularity allows China to forecast for the future. China is strategically reliant on the steady flow of raw materials to maintain industrialization and to continue to serve as the global factory producing low-end goods that take over markets.

With these similarities, there are also distinct differences. The NSS does not make Latin America a priority compared to other global locations. The language written in the NSS when speaking about the countries of Latin America does not project equality or positivity. Through highlighting in a negative fashion the inabilities of Latin American governments to strengthen institutions, reduce crime rates, and deal with the illicit drug trade, the U.S. is not portraying trust in the capabilities of its neighbors to the south. If the U.S. is unable to prioritize resources to show the nations of Latin America the U.S. is still a viable partner, then policymakers should examine how in the next NSS they can project support without commitment.

China, in its policy paper prioritizes the region of Latin America. The Chinese focus is on improving trade and investment to achieve mutually beneficial economic relationships. China's language in the policy paper, when addressing the countries of Latin America, comes from a perspective of equality, however, China does stress it has the economic fluidity to affect change, putting China in a position of advantage. The underlying tone from the Chinese is that it is willing to provide the financial resources as long as it gets what it wants. China was adamant in its policy paper about wanting support from Latin American countries for Chinese internal visions. If Latin America will support the one china policy and renounce Taiwan, then China will distribute investment to acknowledge support. Ironically, even though China seeks international support of its objectives, it remains ambivalent about the internal politics of the countries of Latin America as a whole. China seeks deeper and intrinsic relationships with countries that best suit it's economic and resource demand. China says these nations are sovereign states who can make independent decisions and China only requires countries remain neutral enough to continue open trade.

The strategic guidance provided in chapter 2 along with the analysis above defines the direction of the U.S. and China in regards to Latin America. Each country follows a distinctly different approach towards the region, but is keen on maintaining regional stability. The U.S. has undoubtedly focused its priorities elsewhere, while China increased its level of support in Latin America. The question for U.S. policymakers is – “by lowering the priority of Latin America and giving it minimal attention to the region, are they by default setting the stage for China to leverage its diplomatic and economic

instruments of national power to become the hemispheric partner of choice?” Step 3 will examine the strategic current operational environment.

Step 3: Define the Operational Environment

The second step in the research design is to define the current strategic operational environment of the U.S. and China in Latin America. Through defining the environment, over the past 15 years, between the U.S., China, and Latin America this step will provide overarching context for answering the primary research question, “should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” and this perspective will be evaluated in Step 4.

The two common themes throughout the literature review in chapter 2, was that most of the literature addressed Latin America as a region and writers believed it was time for the U.S. to act. However, their methods of action differed across the spectrum between increased action, remaining observant and aware, to collaboration with China. The introduction to this chapter cautioned against looking at the conglomerate of nations in Latin America as one entity. This step will analyze the conditions of the regional environment for application in Step 4 against the case studies of Brazil and Peru.

China has experienced un-paralleled growth since entering the WTO in 2001. Its strategic policy recognizes that to be successful and continue to grow it needs global economic partners. The expanding Chinese economy needs the natural resources of oil, natural gas, copper, and iron, with a compliment of agricultural products supplies to maintain its current level of manufacturing (Livingstone 2009, 212). The Chinese economic growth is strategic in the fact that as it grows stronger China will obtain greater international influence to accomplish its objectives. Economic growth allows China to

apply capital towards revolutionizing its military capabilities and, at predicted growth rates, will achieve near peer status with the U.S. within the next 20 years. This advancement in its instruments of national power; expands the possibility of its military arm having a global reach capability and will undoubtedly challenge the hegemony the U.S. has enjoyed since the end of the cold war.

There are a number of references indicating China will avoid military action because its modernization depends on stability (Lai 2011, 173). Stable environments allow Chinese state-owned businesses the freedom to secure the supply chain from extraction to market (Ellis 2005, 24). Chinese investment in the countries of Latin America is not as beneficial as it may seem on the surface. Stipulations in aid and investment suggest China is investing in itself, by stating awarded contracts will have a portion dedicated to Chinese companies and will have Chinese workers on the contract. For example, in Peru, the two most lucrative oil fields in the country account for 65 percent of Peruvian petroleum output (Ellis 2009, 150). These two oil fields are owned by an Argentine firm PlusPetrol Norte, of which the Chinese firm, China National Offshore Drilling owns 45 percent (Ellis 2009, 150). These types of relationships are common throughout Latin America. Latin America has the resources, but is limited on the infrastructure and technology needed to extract materials from the ground. Through Chinese investment and exchanges, the Chinese are able to influence the direction of output. The U.S. perspective wants the promotion of private enterprise systems, with pro-capitalist governments, and similar to the Chinese model, the endorsement of U.S. companies. This represents an area where the U.S. government could encourage business ventures to the region as a means of countering Chinese influence.

The very nature of Chinese expansion into Latin America increases competition with the U.S. and even though the U.S. has a greater portion of the market, the U.S. is losing market influence. Another hurdle to increased cooperation with the Chinese in Latin America is the ideological divide between the U.S. and China, which belabors trust and hampers shared interests (Lai 2011, 174). As noted by President Obama in the 2015 NSS, the U.S. is aware of Chinese growth. This awareness leads to the U.S. examining the possibilities of collaborating with China, but in doing so will maintain vigilance over Chinese actions and always negotiate from a position of power (Obama 2015, 24). These statements do not lend towards transitioning to the multi-polar world described by author Jenny Clegg and does not promote trust in building partnerships. While remaining guarded may be in the best interests of the U.S, China is branding itself as an alternative to U.S. dominance and conditions based loans. China has convinced the world it is solely interested in economic exchanges that represent a win-win for both countries; however, its economic strength by default allows its ability to influence international affairs.

China is attempting to promote multi-polarity by highlighting the inequities in the structure of the United Nations (UN). Developing nations account for two-thirds of the UN, but are underrepresented on the United Nations Security Council (UNSC) and their votes have little weight in the General Assembly (Clegg 2009, 181-182). China believes it is time to revitalize the UN and bring equal focus to economic, social, and cultural issues (Clegg 2009, 181). China is urging that greater collaboration between the General Assembly and the UNSC provide developing countries the voice to push for equal representation (Clegg 2009, 182). The opposing view to this is that if equal representation is given, the criticality of alliances will become essential to forwarding objectives and

China, with its growing economic strength will have greater influence. The UN is not the only international organization that China is attempting to reconstruct. Through Chinese banks and investment, China is potentially an option to replace the International Monetary Fund (IMF) and World Bank as the primary lender in Latin America.

Finally, it is important to note the failings of the IMF and the World Bank over the past 20 years in Latin America. The design of loans from the IMF and the World Bank were to stave off economic collapse and fund reconstruction (Livingstone 2009, 191). These programs have done little to encourage growth within Latin America and have become a form of welfare payment to maintain the status quo. While the IMF and World Bank deserve a portion of the blame for the mishandling and poor supervision of investment and aid that went to Latin America, there is equal responsibility of the political apparatus in power to distribute the wealth equitably (Livingstone 2009, 190). Latin America's failure to modernize and develop over the past two decades is what keeps these nations reliant on exporting either raw materials or low-end goods with minimal demand. Until the nations can fully industrialize, there is a considerable likelihood the destined path is to remain strictly a resource provider. China is attempting to change these parameters. With President Xi Jinping's pledge last year to increase Chinese investment in the region by \$250 billion dollars over the next decade China is entrenching itself as an alternate to other established global structures. Even if the Chinese rationale is to incorporate efficiencies to achieve its results, the by-products of improved infrastructure support will benefit the middle class, provided the politicians are adequately planning for advancement. While the U.S. may not have the economic capital available to invest in such ventures, it could strengthen partnerships through government

exchanges. These partnerships would increase dialogue and provide the necessary influence to shape enduring relationships.

The promise of Chinese investment and aid has not always come to fruition and the U.S. has the opportunity to exploit these pitfalls. The Chinese proposal to make a cross-continental railway from Brazil Atlantic Ocean to Peru's Pacific coast, stretching 3,300 miles, has met resistance and has yet to come to realization (Gillespie 2016). Experts cite examples of political debate, corruption, the rights of indigenous people, and environmental concerns on reasons why the project remains in the conceptual phase (Gillespie 2016). This proves the resolve of both Brazil and Peru to not kowtow and transparently accept Chinese proposals that may be of detriment to its countries. The governments have to weigh the benefits of the project, for example jobs, revenue increased regional partnerships between Brazil and Peru, against the environmental impacts. China proposed another railway to link the Atlantic to the Pacific through Colombia in 2011 and to date, this proposal remains in the planning stage (Gillespie 2016). In Nicaragua, China's proposal to build a canal that would counter the Panama Canal and meet Chinese shipping needs, began in 2014, but is running into increased opposition from Nicaraguan leadership and may never fully materialize (Gillespie 2016). Another example of Chinese failed promises is noticeable when the Chinese firm, Chongqing Grain Group – “announced a \$2 billion dollar project in 2011 to construct a massive plant for processing soy in rural Brazil.” However, as of 2016 remained an empty field (Gillespie 2016). These promises are a regular occurrence, and the continued not following through of intentions is stressing relationships as the Chinese government and its associated businesses receive an education in global business. The turmoil

between Chinese objectives and Latin American wishes creates a roadblock, which expands cultural differences and increases tensions. The U.S. can highlight these actions and by following through on promises, the U.S. can remain a nation that delivers.

The analysis of the strategic guidance (Step 2) and the current operational environment (Step 3) leads to defining the problem statement for evaluation in Step 4. The problem statement is, “Specified within the President’s NSS, the U.S. will lead in international affairs and build partnerships; therefore, how does the U.S. government given decreased resources and competing global priorities mitigate Chinese diplomatic and economic expansion within Latin America, with the consideration to protect national interests from a position of relative advantage.” The analysis of Step 3 highlights there are numerous diplomatic and economic opportunities for the U.S. to mitigate Chinese influence should it choose to. Step 4 will evaluate if now is the time to do so.

Step 4: Answer Primary Research Question

Step 4: The fourth step in the research design is to develop a framework of evaluation criteria to analyze against the case studies of Brazil and Peru to answer the secondary research questions.

Step 4a: Diplomatic Expansion in Peru

Step 4a: This step provides an analysis of the secondary research question, “Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives? The history between China and Peru predates the mid-1800s when thousands of Chinese, mostly laborers, immigrated to Peru to work costal sugar plantations and mining projects (Ellis 2009, 148). Presently the estimation is that 15 percent of the 30 million Peruvians

have Chinese heritage, making Peru the second largest South American nation with Chinese immigrants behind Brazil (Ellis 2009, 149). In accordance with China's 2016 policy paper of strengthening cultural relations between itself and the countries of Latin America, "The robust people-to-people exchanges between Chinese and Peruvians have brought them even closer" (Xinhua 2016b).

In 1971, Peru became the second nation within South America to establish diplomatic relations with China (Ellis 2009, 148). From 1971 through the late 1990s, Peru and the PRC had minimal trade exchanges, however, remained close through diplomatic affairs (Ellis 2009, 148). These regular relations, at the highest level of government, have continued and strengthened over the years (Ellis 2009, 156). Most of these high-level engagements nest under the strategic objectives of China to increase collaboration through additional means besides economics, such as cultural, educational, and in the field of science and technology (Xinhua 2016b).

Evident of the close relationship is the 2008 state visit, by then President of Peru Alan Garcia (Ellis 2009, 156). During this visit, President Garcia pledged Peru's support to two of China's greatest political issues: non-recognition of Taiwan and Chinese political control over Tibet (Ellis 2009, 157). In 2009, each country officially ratified the China-Peru free trade agreement (FTA) and began utilizing the FTA in March of 2010. This FTA signifies the enthusiasm of both the Chinese and Peruvian governments to establish formal ties aimed at the betterment of each other.

On July 28, 2016, Pedro Pablo Kuczynski became the President of Peru (Wang 2016). Kuczynski, a center-right former banker and World Bank economist ran on a pro-trade agenda during the campaign (Wang 2016). His goals for what he termed a "social

revolution” in Peru is to improve the Peruvian quality of life (Wang 2016). His initiatives during the campaign were to improve drinking water for the people, increased vaccinations for health, boosting education, proposed tax cuts, and expansion of the Peruvian mining sector (Wang 2016). President Kuczynski’s agenda resonated with the people of Peru and pulled the country away from its previous leftist agenda (Wang 2016). This change in internal Peruvian politics should benefit U.S. diplomatic engagement and offer an avenue through humanitarian assistance, where the U.S. could exert influence by helping to promote the quality of life in Peru.

However, it appears the former economist is not waiting for assistance to be provided, but has sought out investors. Following the edge of the global commodities bust in 2015, and a three-year decrease in demand of Peruvian exports with a slump in private investments, Kuczynski wants to industrialize the nation to increase the value of its exports (Aquino 2016). In 2016, Peru was set to become the world’s second largest copper producing nation, thanks in large part to the \$7.4 billion dollar Chinese owned copper mine in Las Bambas (Aquino 2016).

In 2016, China and Peru celebrated 45 years of diplomatic relations between the countries (Wang 2016). With Chinese cars on the road, the wide acceptance of Chinese credit cards in local establishments, and Chinese tourists no longer needing to obtain visas to visit Peru, China’s influence is evident throughout the country (Aquino 2016). This answers the question why even prior to winning the election, Kuczynski, the former U.S. naturalized citizen from 1999 to 2015, said he would make China his first state visit. In a statement after the election, Kuczynski said, “China is our principal commercial partner and that to industrialize we will have to collaborate with the big purchasers of our

exports, which in large part is China” (Wang 2016). In 2014, 58 percent of Peru’s copper, 48 percent of its gold, and 29 percent of its zinc went to China (Wang 2016). This factor coupled with the fact that Chinese investment in three large mining complexes demonstrates the Chinese willingness to improve infrastructure to extract raw materials for its consumption (Wang 2016). Therefore, at the center of the meeting with Chinese President Xi Jinping, Peruvian President Kuczynski sought to sign agreements that would further enhance the 2010 FTA signed by both countries (Aquino 2016).

A diplomatic area of concern between the U.S. and Peru will remain prevalent because of increased Chinese assistance in the mining sector. President Kuczynski has proposed to lower the internal Peruvian regulations regarding air quality standards (Wang 2016). He believes these regulations to be unrealistic and if the country can decrease the regulations, it will benefit from increased mineral refinement and exportation (Wang 2016). This is counter to the U.S. NSS in which climate change is a point of concern. Without better options to boost the internal economy of Peru and to become socially economic independent, Peru is leveraging its raw materials as a means to move the country forward.

Of additional importance, following Kuczynski’s weeklong trip to China, he visited the U.S. for what the U.S. Department of State called a working visit. During the visit, he met with Secretary of State John Kerry, not President Obama. Understandably, the U.S. was in a period of transition with the upcoming election and President Obama met with Kuczynski in November at the APEC summit held in Lima, Peru; however, neither leader released public statements concerning their discussion (Superville 2016). Reports are that President Kuczynski is concerned with the future direction of the U.S.,

under the new administration, and will seek to establish his agenda with President Trump. The U.S. should remain wary of the ease in which diplomatic relations between Peru and China lead to economic agreements and will need to maintain state visits and engagements throughout global summits to serve as an outlet and opportunity for furthering diplomatic discussions.

China has leveraged its long-standing diplomatic relationship with Peru to forge the path for economic relationships. Over the years, diplomatic support of Chinese political objectives has demonstrated the ease in which Peru is willing to align with China. China in keeping with its strategic objectives in the 2016 policy continues to stay away from political discussions and focuses more on ways to link the countries closer together. However, even though there have been long-standing diplomatic relationships between China and Peru there is an opening for U.S policymakers to explore. Having two Presidents, such as Trump and Kuczynski, with similar economic backgrounds and understanding of the global economy could set the conditions for increased communication. Additionally, with President Kuczynski's background as a U.S. citizen and former experience with the World Bank, he may lean more towards acceptance of western ideals than previous administrations. Given the current leadership in Peru and its designs to seek out investors to support growth, the U.S. should increase its current level of diplomatic engagement, seeking other avenues of mutual interest to pursue with Peru, and look to focus more on quality of life projects if it wants to increase U.S. presence and influence. Table 2 is a visual depiction of the analysis conducted above and provides the researchers recommendation that the U.S. should increase diplomatic priorities towards Latin America given Chinese expansion and influence.

Table 2 Diplomatic Evaluation Criteria - Peru			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives?			X

Source: Developed by author.

Step 4b: Diplomatic Expansion in Brazil

Step 4b: This step provides an analysis of the secondary research question, “Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?”

Brazil’s trade relations with China significantly advanced in 2004, leading to greater exchanges and advancements in the respective economies. The foundation for this expansion is the enduring diplomatic relations. The relationship between Brazil and China over the past 15 years has grown, but differences in perceptions and internal politics have not seen the advancement the two countries initially perceived. Brazil is a more stable political and economic developing country than the other nations of Latin America. Brazil’s development, population size, and expanding economic relationships with other international nations like the U.S., Russia, and India, represent a complexity to the normal influence China bestows on less developed nations through economic dominance. These differences, while having led to prosperity for both countries, over the course of time have transitioned to strained relationships leading to speculation that the two countries have the possibility of becoming competitors in the upcoming years.

The similarities evident in the 1990s as both countries were in various stages of growth now create a greater disparity between the two nations as China's global economic power has more influence on the international stage. Before the maturation of the relationship seen today, Brazil was one of China's oldest trading partners in Latin America dating back to the early 1800s (Ellis 2009, 49). While a relatively small percentage of the Brazilian population is of Chinese ethnic heritage, the Chinese community in Brazil is, the largest contingent of Chinese found within Latin America (Ellis 2009, 49). This group of ethnic Chinese represents a potential area for Chinese exploitation as China looks to increase partnership and collaboration between countries as stated in its 2016 policy paper. In the 1970s, Brazil and China shared similar sized GDPs, but shortly after President Nixon's visit to China the realization that Latin American countries could begin diplomatic discussions with the country came to fruition (Pereira 2011, 8). In 1974, Brazil became one of the first nations within Latin America to establish diplomatic relations with China (Ellis 2009, 49). Additionally in 1993, Brazil became the first country in Latin America recognized as a "strategic partner" to China (Ellis 2009, 49). The cascading affects of Nixon's opening up China to the democratic world have shifted global events that have set the conditions for today's environment. With over four decades of diplomatic relations, Brazil and China have acted to together for mutual benefit and growth.

The stability represented by Brazil, appeals to China's business sense. With political and economic stability within a nation, the Chinese are willing to invest more because of the greater probability of a return on its investment. This investment is only achievable if the two nations have strong diplomatic ties to set the conditions for reaching

economic agreements. China's strategic objectives to its economic agenda rest heavily on its ability to capitalize on trade investment and finance. The impact is that over the past 15 years, Brazil has become region's largest exporter to China, representing 36 percent of the total Latin American exports to China (Ellis 2009, 49). Brazil is Latin America's second largest consumer of Chinese products, and in 2009 China became Brazil's third largest trading partner (Ellis 2009, 49). This growth came about through mutual diplomatic engagements. As the economies of Brazil and China flourished in the mid-2000s, the two countries began to participate in greater international organizations. The establishment of organizations such as Brazil, Russia, India, and China (BRICs), both countries membership in the G20 (a group of developing nations) led to the perception that by coordinating efforts, these countries would prosper and challenge U.S. hegemony, thereby having the ability to influence the international order (Pereira 2011, 3).

The beginning of these diplomatic relationships was the Presidential exchange visits in 2004, by the leaders of both countries (Pereira 2011, 3). "An agreement was signed to establish a bilateral mechanism of high level strategic dialogue to address bilateral, regional, and global issues of concern – just the second strategic dialogue established by the China with another developing country" (Pereira 2011, 3). Thereby deepening China's resolve to increase collaboration and provide the perception the two countries are working towards the same strategic objectives of equality through economics. Even though discussions center on strategic initiatives the only tangible outcome to date is the improved trade relations between Brazil and China (Pereira 2011, 3). In 2005, China blocked Brazil's bid for a permanent seat on the UNSC, along with India, Germany, and Japan. Brazil was under the impression since it provided diplomatic

backing the previous year to recognize China's market economy status that China would do the same in the UNSC (Pereira 2011, 9). While this may have had more to do with the other nations, Brazil received its first inclination it was not equal with China. In spite of this event, Brazil continues to engage diplomatically with China, but over the years, the frequency of these events has begun to strain the relationship. As Brazil becomes more reliant on trade, investment, and aid from China, will Brazil ever grow enough to be in a position to leverage diplomatic prowess to stand-up to China and decrease its perceived trade imbalance.

The first Sino-Brazilian strategic dialogue brought the Brazilian and Chinese governments together with the private sector to develop means to expand the economic relationship. Through the Brazilian Ministry of Foreign Relations, Brazil is working through its trade promotion offices in Beijing and Shanghai to identify opportunities for Brazilian businesses to expand their share of the Chinese market (Ellis 2009, 59). Contrary to China's policy paper where China expresses the need for mutually beneficial relationships, the Brazilian Ministry of Foreign Relations is finding it difficult to acquire equivalent opportunities in China for its businesses. Brazil's attempts to even out trade imbalances and gain a more equitable share of the Chinese market resonates throughout the Brazilian government today. Over the past five years, Brazilian industry, government, and associated union organizations are pressuring the government of Brazil to protect against the influx of Chinese goods to the Brazilian market (Pereira 2011, 5). The inequity in manufactured goods exported from Brazil to China gives Brazilians the perception that China views Brazil as only a source for natural resources and not as a true strategic partner. This pattern of Chinese behavior is similar to Chinese interaction with

other nations of Latin America and Africa (Pereira 2011, 6). Brazil realizes how inconsistent its relationship is with China, but remains wary of asserting too much pressure for fear of retaliation (Pereira 2011, 5). Chinese reprisal for challenging its agreements are well known as exemplified by the Chinese practice of preventing imports from reaching the Chinese market as leverage to secure compliance.

Retaliation is contrary to the perceptions former Brazilian President Lula had when the two countries entered into joint relationships in organizations such as the UN, IMF, World Bank, and WTO (Pereira 2011, 8). President Lula thought this collaborative environment would improve Brazil's international influence and bring Brazil out of the global perception of only being a resource market. The growing discourse continues in other areas within the Brazilian government, where Brazil is attempting to restrict Chinese expansion and assert its governmental power is by limiting or restricting the ability of foreigners to own land in its country (Pereira 2011, 6). Brazil believes that land acquisition by Chinese state owned businesses have gotten out of control and represent a threat to Brazilian security (Pereira 2011, 6). These examples identify that Brazil is willing to push back on Chinese pressures to monopolize and gain a greater share of influence, however Brazil remains economically dependent on China for its stability and continued growth. Without Brazil diversifying more and taking advantage of other markets the country will continue to face the influence of China's diplomatic agenda if the Brazilian populous intends to maintain the current standard of living.

The contentious relationship between Brazil and China over the past 15 years represents the complexity of international affairs. Not only are there the differences cited above, but other issues like human rights, climate change, and the disparity between

Brazil's democracy and China's authoritarian rule are not areas that have resulted in consensus between the two governments. Brazil needs economic support to rebound from its economic recession and China has the financial backing to assist provided there is a benefit to doing so. Additionally, Brazil's business sector and government continue to deal with the fallout from the Odebrecht scandal that demonstrated unprecedented levels of global corruption. This lack of trust in the governmental system by the public is creating political instability. The U.S. has opportunities to increase diplomatic engagements with Brazil in light of the tensions between Brazil and China. However, the U.S. should remain aware of its own missteps in its diplomatic bilateral relations with Brazil. Disagreements between the U.S. and Brazil over issues such as Brazil support to Iran and Honduras emphasize that while foreign policy interests may not always align, through communication and partnerships the two countries could align perspectives (Valenzuela 2011). With the current tensions and uncertainty within Brazil, the U.S. could take advantage of its diplomatic relationships in Europe as a possibility to expand opportunities for Brazil to break away from China's influence. The U.S. gains regional stability by having a nation such as Brazil as a partner. If Brazil can weather the current crisis, with the support of the U.S., then the U.S. could rely on Brazil to be a regional balancing tool to bring along the other countries of Latin America. Given the current struggles between Brazil and China over the contest of economic inequality, the U.S. should increase its current level of diplomatic engagement with Brazil and look to increase U.S. presence and influence. Table 3 is a visual depiction of the analysis conducted above and provides the researchers recommendation that the U.S. should

increase diplomatic priorities towards Latin America given Chinese expansion and influence.

Table 3 Diplomatic Evaluation Criteria - Brazil			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?			X

Source: Developed by author.

Step 4c: Economic Expansion in Peru

Step 4c: This step provides an analysis of the secondary research question, “Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?” The Peruvian economy had its share of highs and lows over the past 30 years and now with four successive years of economic decline the government is in a dire position to stave off collapse. The question coming from the government of Peru is who is willing to assist the country through either trade or foreign direct investment to prevent the nation from falling back into the period of hyperinflation it faced in the late 1980s (Authers 2015)? Peru, in the late 1980s, dealt with issues presented by the Shining Path’s struggle for power and was in a severe debt crisis, which required IMF assistance to keep the country from total collapse (Focus Economics 2017). Over the years, Peru became more stable because of what its abundance of natural resources represented to global emerging markets. Peru is now the seventh largest economy within Latin America and is displaying

moderate modernization growth (Focus Economics 2017). Peru owes much of this growth to enhanced diplomatic relations with China. China's need for Peruvian natural resources assisted Peru's growth through a favorable market economy from 2001 to 2010 in which the prices of commodities rose. Peru, through established FTAs and foreign direct investment hopes to prevent economic collapse and become South America's hub for exports to Asia. For greater understanding of Peru's success, the impact of China in the region needs assessment.

The examination of exports, imports, and infrastructure development, details the extent of Chinese growth in Peru. From 2001 to 2003, Peru's exports to China increased by 190 percent and Peru's imports from China increased 200 percent (Ellis 2005, 15). Data from the Observatory of Economic Complexity illustrates that in 2000, 27 percent of Peru's exports went to the U.S. and 6.2 percent went to China (OEC 2017). In 2003, this number dropped by one percent for the U.S. and increased by one percent for China (OEC 2017). This trend continued over the next 12 years and in 2015, 15 percent of Peruvian exports went to the U.S while 21 percent went to China (OEC 2017). Data from the same organization reflects similarities in Peruvian imports. In 2003, the U.S. represented 23 percent of the imports to Peru, while China was 3.9 percent. From 2001 to 2010, imports from China continued to rise and in 2015 imports from the U.S. slipped to 20 percent, and China grew to 22 percent of the total Peruvian market (OEC 2017). Economically, this benefits the U.S., but identifies the increased presence of China in the region and solidifies China as a regional competitor in Peru. The forecast is that the relationship between Peruvian and Chinese trade will grow through the near future as

evident by President Kuczynski's signing of a bilateral trade agreement with President Xi Jinping in November 2016.

As Peru seeks to increase trade with China, examination of the multi-polar world and Chinese strategic intentions of economic win-win scenarios require investigation. Is China economically engaged with Peru for access to Peru's natural resources and deep-water ports or because China has a genuine concern to assist with the development of Peru? The understanding is that if venturing into business relationships both sides need to benefit in order to strike an accord. However, the primary objective is to further your objectives by making the best deal possible for your organization. China benefits from the Peruvian natural resources and pays Peru accordingly. Peru is a resource economy of which ores and minerals represent 50 percent of the total Peruvian exports (Focus Economics 2017). Peru's GDP tripled from 2001 to 2010, giving the country many opportunities to invest internally (Focus Economics 2017). Peru faces the difficulty of transitioning from an economy based on natural resources to one based on manufacturing and production of finished goods. The primary challenges with this transition are time and market fluctuations. Peruvian natural resources: petroleum, natural gas, iron ore, copper, and zinc, all fluctuate depending on the global environment. Falling global demand for these resources, coupled with China's decrease in demand for these products demonstrates the market volatility and drastically influences the Peruvian economy (Focus Economics 2017). Peru experienced a decrease in economic growth from 2011 to 2015, when its exports declined from \$46.4 billion to \$34.2 billion (Focus Economics 2017). Peru, because of this decline, needs the ability to transfer to a more stable economic platform grounded in the production of industrialized goods. The Peruvian

economic successes and hardships is a case study of the risks of becoming too dependent on resources as the primary means of sustaining an economy (Authers 2015).

The increase of Chinese investment in Peruvian infrastructure over the past 15 years presented Peru with the opportunity to develop its own internal industrial capabilities, but trends reveal the majority of technical support required for mineral extraction remains outsourced. Peru's mineral wealth and Pacific ports have attracted Chinese investors because it provides access to resources needed for China to maintain production of its manufactured goods while providing ease of access for shipping (Ellis 2009, 150). Peru does not have access to large petroleum and natural gas deposits within its borders, but the country has enough supply to secure the attention of Chinese investors, which supports China's strategic goal of diversification (Ellis 2009, 150). New oil discoveries in Peru benefit the petroleum extraction firms, of which China owns 45 percent of the largest company (Ellis 2009, 150). Similar to other Chinese state owned businesses dominance in oil, China's Shougang Hierro Peru Company owns and operates the largest iron producing mine in Peru (Ellis 2009, 150). China's purchase of the company in 1993 highlights a growing problem in Latin America of foreign companies doing business within the borders of another sovereign nation, which the public sees as an infringement on their country (Ellis 2009, 150). Difficulties from the acquisition of the Shougang Hierro Peru Company include; Peruvian government and miner disputes, broken environmental laws, and neglected promises by the Chinese to in the adjacent community have led to numerous strikes over the years and remain a point of internal contention (Ellis 2009, 150). This aggressive Chinese approach continues into copper mines and fishing, where China buys controlling interests (Ellis 2009, 150).

These Chinese advances require Peruvian government intervention if Peru wants to grow the technical capabilities of its workforce. Stipulations in contract negotiations or bilateral agreements could place conditions on China, that for access to Peruvian resources, China will train Peruvians and transfer this capability to the host nation in the future. The global perception is becoming a different reality from the proposed Chinese multi-polar world. When discussing the FTA between Peru and China, Carol Wise, an associate professor of International Relations and the University of Southern California, made the statement that countries of Latin America expected more out of the deals it made with China than it received (Klinger 2013). Peru believed the FTAs would permit its economic market to diversify and attract investment, allowing Peru to break from traditional relationships with North America and Europe (Klinger 2013). Wise suggests Chinese FTAs with Peru, represented a political and strategic rationale vice one of economic assistance (Klinger 2013). This idea hints that Peru is of strategic importance to China because of its deep-water ports. Furthering the suggestion, that if China can control the supply line of materials, that is of greater importance for its future “one belt, one road” policy, than economic benefits coming from Peru. The ports in Peru provide western access to the countries of South America (Ellis 2009, 153). If China can increase, the infrastructure in Peru through expanded pipelines and cut across the Andes Mountains, this would open a new avenue for access to Brazil and trans-regional trade (Ellis 2009, 153). As China expands the capabilities of Peru’s major port through infrastructure support, this ties directly into President Kuczynski’s objective of becoming the hub of South America for Asian operations.

Peru currently faces its worst GDP deficit in 15 years. Infrastructure projects have stalled in the wake of the Odebrecht scandal, and the government initiated stimulus packages to create jobs to spark the economy (Focus Economics 2017). Peru's election of President Kuczynski, in July 2016, recognizes the voice of the people to return to the economic growth they experienced from 2001 to 2010. Kuczynski knows China invests heavily in mining complexes and by ordering the expansion of Peru mineral sector he hopes to garner Chinese attention (Wang 2016). President Kuczynski's first state visit abroad was to Beijing to meet with President Xi Jinping. The meeting adjourned resulting in more deals with Chinese corporations to bring money back to the Peruvian economy (Wang 2016). While this provides an immediate boost to the Peruvian economy, it does little to change the fact that without greater industrialization, Peru will remain a supplier of resources. The data pulled from the Observatory of Economic complexity, show a decrease in Peruvian exports to the U.S. and a slight decrease in U.S. imports to Peru. Fiscally, this is of negligible consequence to the U.S. economy. It does highlight China is a regional competitor for U.S. imports to Peru. If the U.S. desires to retain its status with Peru, it will need a continued economic presence. Given the presumed future U.S. economic stance, it is unlikely it will increase investments in Peru, but this should remain a consideration if the U.S. wants to mitigate growing Chinese influence and to prevent China from having full access to a strategic port. Therefore, the U.S. should maintain its current level of economic engagement with Peru. Table 4 is a visual depiction of the analysis conducted above and provides the researchers recommendation that the U.S. should maintain economic priorities towards Latin America given Chinese expansion and influence.

Table 4 Economic Evaluation Criteria - Peru			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?		X	

Source: Developed by author.

Step 4d: Economic Expansion in Brazil

Step 4d: This step provides an analysis of the secondary research question, “Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?” China’s policy paper highlights its strategic economic goals with the developing nations of Latin America are; trade, investment, financial cooperation and infrastructure construction. Throughout the past 15 years, Brazil’s economy grew tremendously, but most recently suffered five years of economic decline. To the U.S. and China, Brazil is of strategic importance in its role as a potential regional power and the largest developing nation in the Western Hemisphere (Pereira 2011, 3). Trade between Brazil and China existed from as early as the 1800s, but remained limited until 2003, when Chinese emergence in the regional market set in motion unprecedented growth (Ellis 2009, 49). The primary economic influence in Brazil prior to 2003 was the U.S., but the past 15 years shows that position steadily declined. China, in 2004, launched economic growth within Brazil, which started because of increased diplomatic engagements (Ellis 2005, 10).

China brought financing and investment, and negotiated trade agreements for Brazil's top commodities of soybeans, soy oil, iron ore, steel, and timber (Ellis 2005, 10). China's expansion to this market made the PRC a competitor to the U.S. and Europe, who were previously Brazil's major trade partners (Ellis 2009, 49). China not only began buying a greater share of Brazilian commodities, but it sought to improve infrastructure for increased efficiencies from the ground to port. China's initiatives during this time focused on the creation of a trans-Brazilian gas pipeline, mineral exploration, enhancement to refineries, and larger storage facilities at the ports to increase Brazilian productivity (Ellis 2005, 10). The investment in infrastructure-benefited Brazil's agricultural and steel sectors, thereby securing a larger portion of Brazil's trade market and since 2010, China remains Brazil largest export country (Pereira 2011, 3). The examination of trade data from 2000 to 2015 identifies the impact of the decline of U.S. influence in Brazil.

Data from the Observatory of Economic Complexity in respect to U.S., Brazilian, and Chinese trade shows the expanse of Brazil's trade grew substantially from 2000 to 2015. The U.S. portion of the Brazilian market decreased over time in percentage, while China's portion increased. The monetary amount for the U.S. remained relatively balanced between exports and imports. However, China surpassed the U.S. as Brazil's primary trading partner. (See tables 5 and 6).

Table 5 Brazil's Exports 2000 to 2015			
Year	Brazil's Total Export USD Billion	U.S Portion of Brazilian Exports USD Billion	Chinese Portion of Brazilian Exports USD Billion
2000	\$57.4	24% / \$14	2% / \$1.16
2003	\$77.1	23% / \$17.3	6.1% / \$4.72
2010	\$206	10% / \$20.6	15% / \$30.9
2015	\$195	13% / \$24.5	18% / \$35.8

Source: Developed by author from data extracted from OEC, “The Observatory of Economic Complexity,” accessed 24 March 2017, http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/bra/show/all/2015/.

Table 6 Brazil's Imports 2000 to 2015			
Year	Brazil's Total Imports USD Billion	U.S Portion of Brazilian Imports USD Billion	Chinese Portion of Brazilian Imports USD Billion
2000	\$57.9	23% / \$13.5	2.2% / \$1.3
2003	\$49.3	20% / \$9.76	4.4% / \$2.19
2010	\$182	15% / \$26.7	14% / \$26.3
2015	\$171	15% / \$26.3	18% / \$29.9

Source: Developed by author from data extracted from OEC, “The Observatory of Economic Complexity,” accessed 24 March 2017, http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/bra/show/all/2015/.

Brazil's economic strategy of continued reliance on low-end commodity exports is the reason its economy slowed and slipped into recession. “China has been one of the growth engines of the global economy, with a growth model driven by exports and investment, which has favored commodity exporters like Brazil (BRICS Business 2017).” This model for economic growth is proving unstable and unreliable for long-term economic expansion (BRICS Business 2017). Now, China's economy is beginning to settle and the impact of decreased demand affects the price of international commodities, directly hampering Brazil's economy (BRICS Business 2017).

China's share of the global economy rose from 7 percent in 2000 to 11.6 percent in 2008, giving China the financial liquidity to expand (BRICS Business 2017). To which, the commodities of Brazil complements China strategic goal of remaining the worlds primary exporter of manufactured goods (Shaffer 2016). Brazil's exports of basic material, those that are not refined or industrialized, comprise 40 percent of its total export market (BRICS Business 2017). The demand from China, and Brazil's stability growth, and depth of soybeans and iron ore originally benefited Brazil and resulted in numerous years of trade surpluses with China (BRICS Business 2017). From 2003 to 2010, this growth spawned a middle class in Brazil to an historic level (Meyer 2016). As China rebalanced its economy in response to the global financial crisis in 2008, Brazil should have realized this level of growth was not sustainable and its benefits were soon to decline (BRICS Business 2017). Since 2012, China's decrease in demand for commodities reflects the continued reduction in the international global market price for commodities. Yet Brazil persists to rely on commodity exports while importing manufactured goods from China (Pereira 2011, 4). The forecast for the next 15 years is that China's focus will lesson on commodities, thereby leaving a gap or lack of promise for a country that primarily relies on commodity exports to grow (Shaffer 2016).

From 2000 to 2010, Brazil did experienced unprecedented growth. Brazil was an emerging global economic power and with the coalition from the other BRIC nations believed, it, along with these nations, would challenge U.S. hegemony and bring about market equality to developing nations. In 2011, BRIC countries comprised 40 percent of the global population and represented 25 percent of the global GDP (Pereira 2011, 1). However, the success of this coalition is limited. Brazil never transitioned from

commodities based economy and remains susceptible to the determinations of the international commodities market. Brazil faces political instability because of the Odebrecht scandal and enduring economic recession (Wang 2016). Brazil is reliant on China as its primary export country. This dependence highlights that Brazil is in need of economic assistance and China is one of the few nations willing to continue to conduct business. This is mainly because of established trade agreements and low international commodity prices (Wang 2016).

The settling of the Chinese economy, China's decrease in demand for natural resources, and overall decline in commodity prices affects Brazil ability and potential for future growth (BRICS Business 2017). The Odebrecht scandal, which has ripple effects throughout Latin America, exacerbated the situation in Brazil, when the government impeached President Dilma Rousseff for corruption (Lopez 2015). The current President, Michel Temer, will finish Rousseff's term and the priorities of his agenda are to gain the trust of the people and put Brazil on the path to recovery. Temer's challenges include increased poverty and rising unemployment (Meyer 2016). For Temer to move Brazil forward, he needs foreign investment assistance, diversification of Brazilian exports to other markets, and the modernization of Brazilian industrial capabilities.

The test for the leaders of Brazil is to minimize Chinese businesses and their pronounced foreign capital from gaining opportunities and capitalizing on Brazil's recession (Shaffer 2016). "It is noted that in January 2016, Brazil agreed to contracts for 30-year operating licenses on five hydropower concession lots, including 29 existing power-plants" (Shaffer 2016). The result was China's Three Gorges Corporation became Brazil's second largest power producer because of its \$2.76 billion bid at auction. This

added to the international perception of instability within Brazil, which is prevents Brazil from gaining outside investors (Shaffer 2016). Further distracting from Brazil's attempts to compete with China in global markets is that in the past two years, China has secured more of the U.S. and Latin American manufactured goods market leaving Brazil with fewer opportunities for product expansion (Pereira 2011, 6). This causes dissention in the Brazilian government as to what solutions are available to limit Chinese expansion (Pereira 2011, 6). In the minds of those in Brazilian politics, "China is seen as both a clear competitor who is difficult to neutralize with policy initiatives, because of fear of retaliation on the commodity trade is too high" (Pereira 2011, 5). Leading experts to speculate that Brazil's stance towards China may change as inequality in its relationship becomes greater (Pereira 2011, 7).

Growth in trade between Brazil and China from 2005 to 2013 increased 583 percent with soy as Brazil's primary export and electronics as China's primary export to Brazil (Gonzalez 2015). This exemplifies Brazil is commodity based while China is exporting manufactured goods to Brazil. This inequality in manufactured goods assumes Brazil will unlikely achieve competitor status with China. When commodity prices rose 42 percent from 2004 to 2008, Brazil enjoyed a trade surplus with China, but failed to reinvest this surplus into expansive infrastructure projects. The wage gap between Brazil and China decreased to a point where had Brazil invested in modernization, it would now be in a position to produce manufactured goods and compete with China in Latin American markets. Increased capital, workforce training, and factory/ infrastructure modernization are what Brazil needs to become a technically industrial producing nation and spur development that is sustainable throughout turbulent market conditions. Even

though the U.S. share of the Brazilian market decreased over the past 15 years, it retained a \$3 billion trade surplus in 2015 compared to a \$8 billion deficit in 2003 (OEC 2017). Additionally, the U.S. continues with the trend displayed over the past three years of decreasing foreign investment in Brazil, demonstrating the U.S. is not willing to assist Brazil out of its recession. This gap allows China to remain the predominant economic influencing country. As the U.S., under the new Trump administration, plans to turn inwards and decrease foreign assistance, it is unlikely the U.S. will change economic policies to mitigate Chinese expansion in Brazil. However, given the dire economic circumstances in Brazil, there are opportunities should the U.S. private business sector accept risk and leverage the Chinese model to increase presence. Table 7 is a visual depiction of the analysis conducted above and provides the researchers recommendation that the U.S. should maintain economic priorities towards Latin America given Chinese expansion and influence.

Table 7 Economic Evaluation Criteria - Brazil			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?		X	

Source: Developed by author.

Step 5: Aggregate the Findings

Step 5: The fifth step in the research design is to apply the evaluation criteria against the secondary questions and aggregate the findings. Weighing the perceived outcomes of the findings with the operational approach will highlight and answer the primary research question, “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” Table 8 aggregates the findings from analysis against the secondary research questions and provides the researchers recommendation that the U.S. should increase diplomatic and maintain economic priorities towards Latin America given Chinese expansion and influence.

Table 8 Aggregate Priority Evaluation Criteria			
Question	Decrease Priority (1 point)	Maintain Priority (2 points)	Increase Priority (3 points)
1) Does Chinese diplomatic expansion into Peru pose a challenge to U.S. national objectives?			X
2) Does Chinese diplomatic expansion into Brazil pose a challenge to U.S. national objectives?			X
3) Does Chinese economic expansion into Peru pose a challenge to U.S. national objectives?		X	
4) Does Chinese economic expansion into Brazil pose a challenge to U.S. national objectives?		X	
Total	0	4	6

Source: Developed by author.

The analysis and associated evaluation criteria demonstrate that Chinese influence in Brazil and Peru increased over the past 15 years. Utilizing the case studies of Brazil and Peru, the U.S., to mitigate Chinese growth and expansion, should increase its current diplomatic efforts while maintaining current economic levels to ensure it retains an impactful presence within Latin America. Through examination of data, especially in light of the new U.S. Presidential administration's focus on internal economic benefits, the U.S can still have a meaningful presence in the region if it were to increase diplomatic engagements. If the U.S. trend of overlooking Chinese expansion into Latin America continues, China will become the regional influencing agent and set conditions favorable to its strategic objectives.

Step 6: Conclusions and Recommendations

Step 6: Finally, in chapter 5, the research findings of this study will draw conclusions and provide recommendations policymakers and for future research and topic exploration.

Chapter Conclusion

“Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” The analysis provided throughout chapter 4 leads to the summation supporting, “yes” the U.S. should adjust priorities in this environment. Even though this may prove difficult given current resource constraints, adjustment is within the realm of possibility when accompanied by focused NSS direction. Diplomatically, there are opportunities for the U.S. to increase its presence and provide assistance through technical expertise. Economically, the opportunities for expansion remain for the

U.S. government and private sector provided these entities are willing to take the risk. The U.S., over the past 200 years, enjoyed autonomy in the region as the predominant power. Analysis of the literature shows the environment changed drastically over the past 15 years. Continued ambivalence to our neighbors to the south, will provide the opening necessary for China to dictate the terms of Latin American engagement in the future. The evaluation criteria establishes that economically the market has grown and the U.S. share of that market decreased in percentage, but increased in monetary amounts. The tool for economic expansion begins with agreements made through diplomatic engagements, by keeping this option open and its presence known, the U.S. could increase economic activity later if desired. Chapter 5 provides general conclusions and recommendation for policymakers.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Chapter Introduction

The analysis from chapter 4 answered the primary research question of “Should the U.S. government adjust its priorities to mitigate the growing Chinese influence in Latin America?” with the conclusion of “yes,” the U.S. government should adjust its priorities to mitigate the growing Chinese influence in Latin America. The difficulty for solution development is the determination of which element of national power, either economic or diplomatic, would allow the U.S. to alter its priorities without detracting from previous obligations. By adjusting its priorities, at least diplomatically, the U.S. would remain in an engaged position with its neighbors to the south. Through analysis of the strategic documentation, case studies, and the economic priorities of the Trump administration, increased diplomatic engagements afford the U.S. the opportunity to increase presence, maintain awareness of internal country situations, and demonstrate the willingness of the U.S. to strengthen partnerships for the betterment of the region.

Conclusions

This study identified that China expanded vastly into Latin America both economically and diplomatically, over the past 15 years. The U.S. is in a position to either allow this growth and influence by China to continue or devise alternative solutions to gain back regional control. However, the U.S. finds itself with few viable options in the economic and military spectrum to contain, without provoking a Chinese military response, thus leaving diplomacy and building partner capacity as possible

strategic countermeasures or options to mitigate Chinese expansion and retain U.S. influence. China's policy paper on Latin America and the Caribbean highlights it envisions Latin America as an enduring strategic partner, with whom the Chinese would like to increase and build relationships. The U.S. NSS does not prioritize the region and given the current political rhetoric, is less economically willing to provide financial assistance in light of prioritized resource focus elsewhere.

China is using its economic solvency to provide Latin America with the desperate financial assistance needed at a time when institutions such as the IMF and World Bank see that type of investment as high-risk. Through this relationship, which spawned from increased diplomatic relations, China gains its needed natural resources to sustain its global economy. Unfortunately, Latin America did not take advantage of commodity market in its favor by investing in the development of its internal infrastructure. Thus, given the current economic climate, Latin America is more reliant on China for stability.

The case studies of Peru and Brazil highlight the economic impact and growth of China in Latin America over the past 15 years. While U.S. economic presence remains comparable to China in the region, the U.S. has not benefited economically to the scale of China. China continues to invest heavily in countries like Peru and Brazil and acquired larger portion of the overall market with the entrance of its state-owned businesses. The new Presidential leadership of Peru and Brazil reached out to China, not the U.S., for greater assistance, increased trade agreements, and alliances to help rebound from economic crisis of a declined global commodities market. Solidifying the reality, that Chinese influence is replacing the U.S. as the main hemispheric actor. While it is unlikely the U.S. will change economic policy and spur investment in Latin America, it can still

maintain the perception of influence through diplomatic channels. Peru's president is a former U.S. citizen and worked with the World Bank; both are western organizations that if appropriately diplomatically engaged by another like-minded businessman President, like Trump, could influence away from Chinese dominance. Brazil faces internal political and economic problems as it attempts to survive as a growing economic power. U.S. diplomatic assistance could build on established dialogue with Europe and help Brazil diversify from one primary outlet for its market exports. The U.S. diplomatic connections and expertise in infrastructure development and building government, if increased, would help Latin America manage the problems associated with a growing society.

Recommendations

Recommendations for Decision Makers

Planners face the determination of the appropriate level of U.S. response to Chinese expansion into Latin America. Whether or not policymakers want to admit it, the fact is Chinese diplomatic and economic influence is growing in Latin America. An increased number of Chinese and Latin America diplomatic engagements, over the past 15 years, resulted in FTAs, which is creating an economic situation of reliance that is destined to continue in the future. As this relationship matures, the U.S. faces the dilemma of either continuing with the status quo and eventually be replaced as the hemispheric partner of choice or realigning priorities and resources to mitigate Chinese expansion. The involvement of another competitor in the region presents the possibility of decreased U.S. security. Not since the Soviet missiles in Cuba, has the U.S. faced such direct encroachment towards its homeland as what Chinese dominance in Latin America would do to how the U.S. perceives its sphere of influence. If the U.S. continues to pull

away from supporting its neighbors to the south, China will fill the void and the U.S. will have to face the reality. Therefore, as economic assistance is not a viable option at this time, the U.S. must increase its diplomatic presence in the region to maintain relevance in the eyes of Latin American leaders. Through strong U.S. diplomatic alliances across the globe, the U.S. could leverage partnerships to guide the countries of Latin America to other potential avenues of economic assistance, which would decrease its dependence on China, thereby decreasing China's regional influence. Policymakers need to prioritize Latin America within the NSS and the U.S. instruments of national power or face regional extinction.

Recommendations for Future Researchers

Another similar topic that developed throughout the course of this research, which is available to future writers for exploration, is does increased U.S. presence in the Pacific correlate to Chinese expansion into Latin America. In Luis Fleischman's book, "Latin America in the Post-Chavez Era" he provides insights concerning regional instability in Latin America. Fleischman defines western perceptions of China as an economic power solely seeking more economic power and indicates this is only a cursory view of what is truly transpiring (Fleischman 2013, 137). Fleischman urges a more in depth analysis and understanding of China's strategic agenda. He points to understanding the first Chinese policy paper on Latin America and the Caribbean, published in 2008, which is similar to the 2016 policy paper discussed earlier. Fleischman perceives that through comprehension of Chinese policy, a theme of continual countering of U.S. actions by China emerges. Additionally, Fleischman highlights, as the U.S. sells missile to Taiwan, China engages with the same practice in Pakistan. The U.S. intervention Iraq,

led to Chinese strengthened ties with Iran; hence, demonstrating a continual struggle of global events (Fleischman 2013, 141).

COL Michael D. Rayburn's, School of Advanced Military Studies monograph, "The Strategic Implication of China's Growing Influence in Latin America," gives cursory notice to how a shift in U.S. policy to the Pacific prompted greater Chinese expansion into Latin America. Chinese influence in Latin America has grown over the past 15 years, while the U.S. continues to focus on priorities elsewhere, thus allowing for China increasing its stake in the region. Proposing Chinese, interaction in Latin America directly correlates to the 2012 declaration by President Obama that shifted U.S. defense priorities to the Pacific (Rayburn 2014, 1). Further research in this area could identify predictive behavior of Chinese strategic objectives and intentions.

Final Thoughts

The U.S. enjoyed relative global autonomy following the collapse of the Soviet Union and the end of the Cold War. As the sole remaining superpower, the U.S. assumed an even greater role watching over the world. These global commitments caused the U.S. to spread its resources worldwide, opening the door for China to utilize non-threatening soft power to expand in Latin America. The dynamics of the international environment have evolved over the past 15 years, and economic coalitions between developing nations are challenging U.S. hegemony. China is presenting itself as another option to the developing nations of Latin America. Chinese financial assistance does not come with the historical political and social restrictions that are typical accoutrements of U.S. assistance. This financial freedom away from U.S. conditions based lending, allows the countries of Latin America to set its own agendas and define a path to development.

However, instead of gaining freedom, the countries of Latin America are now becoming beholden to and reliant on another power, China.

The Chinese supply chain benefits from regional stability to move resources at a predictive rate and it is unlikely that China will pose a military threat to the U.S., at least for the next decade, unless the PRC feels provoked. With the passing of every year, Chinese diplomatic and economic influence grows in the region and Latin America becomes increasingly more dependent on China to sustain its current standard of living. If the U.S. does not adjust its priorities soon, then it will find itself in a position of disadvantage with little ability to influence regional events. President Trump's administration will shortly publish their direction for the U.S. in the next National Security Strategy and it will be interesting to read their perceptions of what they think Chinese expansion into Latin America represents to U.S. strategic objectives. Will they see the growing economic influence of China in Latin America, and what potential this represents to U.S. security objectives?

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace.

— George Catlett Marshall, June 1947, The Marshall Plan

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